Greater Anglia Franchise

Invitation to Tender

21 April 2011
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IMPORTANT NOTICE

This document is issued by the Department for Transport (the “Department”) pursuant to the functions of the Secretary of State for Transport (the “Secretary of State”) under the Railways Act 1993 and the Railways Act 2005, as amended.

All references in this document to the Department or Network Rail include, where appropriate and unless the context otherwise requires, references to those bodies’ predecessors and successor(s).

This document is not a recommendation by the Secretary of State, or any other person, to enter into a Franchise Agreement or to acquire shares in a current or prospective franchisee or its parent undertaking. In considering any investment in a franchise, franchisee, prospective franchisee or parent undertaking, you should make your own independent assessment and seek your own professional financial and legal advice.

The information contained in this document does not purport to contain all of the information that a prospective franchisee or shareholder may require. Neither the Secretary of State, nor any of his employees, agents or advisers (“representatives”), makes any representation or warranty (express or implied) (and no such representatives have any authority to make such representations and warranties) as to the accuracy, reasonableness or completeness of the information contained in this document.

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The only information which will have any legal effect and the only information upon which any person may rely will be such information (if any) as has been specifically and expressly represented and/or warranted in writing to a successful franchisee in the relevant Franchise Agreement or in any other relevant agreement entered into at the same time as the Franchise Agreement is entered into or becomes unconditional. Nothing in this document is intended to create a contract between the Secretary of State and any Bidder or prospective Bidder.

The Department reserves the right at any time to issue further supplementary instructions and updates and amendments to the instructions and information contained in this document as it thinks fit.

Eversheds and Steer Davies Gleave are acting for the Department in relation to the award of the Greater Anglia franchise, and will not regard any other person as their client or be responsible to anyone other than the Department for providing the protections afforded to their clients nor for advising any other person on the contents of this document or any matter referred to in it.

The Department will not be responsible for the costs or expenses of any Bidder in relation to any matter referred to in this document howsoever incurred, including the evaluation of
the Greater Anglia franchise opportunity, the award, or any bid for the award of the Greater Anglia franchise, or negotiation of the Franchise Agreement.

This Invitation to Tender document should be read in conjunction with the draft Franchise Agreement and the National Rail Franchise Terms ("Terms") supplied with it.

Unless the context otherwise requires, capitalised terms used in this document shall have the same meaning given to them as in the draft Franchise Agreement.

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Additionally, where this document is supplied directly by the Department to a Bidder: This unredacted version of the document is confidential and is being issued only to persons who have entered into an appropriate Franchise Letting Process Agreement, the terms of which will, in the event of any conflict, prevail over those in this Important Notice. Neither this document, nor any part of it nor any other information supplied in connection with it, may, except with the prior written consent of the Department, be disclosed to any person other than in confidence to the recipient’s advisers, nor used for any purpose other than consideration by the recipient of whether or not to make a bid. If the recipient does not continue with its interest in the award of the Greater Anglia franchise, or if the Department notifies the recipient that the process has ceased, or that the recipient is no longer being considered for the award of the Greater Anglia franchise or otherwise upon request by the Department, the recipient will promptly return this document and any other information provided in connection with it to the Department, destroy any electronic copies not capable of being returned to the Department, and not retain any copies or reproductions in any form.

21 April 2011
SECTION 1: INTRODUCTION AND CONTEXT

1.1 Purpose of this Invitation to Tender

This Invitation to Tender ("ITT") sets out:

- the Greater Anglia franchise proposition for which the Department is seeking bids;
- how the competitive process will work;
- how Bidders should complete their bids; and
- how the evaluation process will work.

Appendices and a number of documents are attached which set out the requirements for the completion of bids and additional relevant information.

The Department’s aim is for the new Greater Anglia franchise to commence operations with effect from 02.00 hours on 5 February 2012.

1.2 Scope of the Greater Anglia Franchise

Train services to be operated by the new Greater Anglia franchise will comprise of local, suburban and express train services from London Liverpool Street to north and east Greater London, Essex, Hertfordshire, Cambridgeshire, Suffolk and Norfolk.

A map of the Greater Anglia franchise area and routes is included at Appendix 1 (List of Franchise Stations and Map of Franchise Area).

1.3 The Department's Objectives for the Greater Anglia Franchise

- Controlling operational costs
- Maximising revenue
- Delivering a quality of service for passengers for the entire rail journey
- Working with the Department and other stakeholders to ensure value for money
- Managing and delivering changes required to accommodate Crossrail
- Implementing the station responsibilities
- Working effectively with Network Rail to maintain performance
- Delivering the plans around the Olympics
- Managing and deploying the Class 379 HLOS vehicles

1.4 Closing date for Bids

Bids must be submitted by 12.00 hours GMT on 7 July 2011.
SECTION 2: INFORMATION AND INSTRUCTIONS TO BIDDERS

2.1 Franchising Timetable and Process

The forthcoming stages of the process for appointing the Franchisee: Bid Preparation; Bid Evaluation and Negotiation; and Mobilisation, together with their indicative timings, are set out below.

<table>
<thead>
<tr>
<th>Stage</th>
<th>Description</th>
<th>Party Responsible</th>
<th>Planned Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bid Preparation</td>
<td>Preparation of bids</td>
<td>Bidders</td>
<td>21 April – 7 July 2011</td>
</tr>
<tr>
<td></td>
<td>Submission of bids</td>
<td>Bidders</td>
<td>By 12.00 GMT on 7 July 2011</td>
</tr>
<tr>
<td>Bid Evaluation &amp; Negotiation of Bids</td>
<td>Evaluation of bids, clarification, negotiation and agreement to terms of the Franchise Agreement and related documentation. Secretary of State consent to Greater Anglia franchise award</td>
<td>The DfT and Bidder(s)</td>
<td>8 July – November 2011</td>
</tr>
<tr>
<td>Mobilisation</td>
<td>Prepare for transfer of operations</td>
<td>Franchisee</td>
<td>November 2011 – 5 February 2012</td>
</tr>
</tbody>
</table>

The Department reserves the right to alter the timetable or the process, or to terminate this process at its sole discretion. Bidders will be informed of any such changes.

2.2 Restriction on Communications/Press Releases etc during Franchise Competition

The outcome of a rail franchise competition is of national significance and therefore generates a high level of public interest and media speculation. Bidders should not use media or communication channels in a way that might reflect adversely and unfairly on the industry, its participants or the integrity or outcome of the competition.

Therefore, during the Bid Preparation Phase and until the award of the Greater Anglia franchise, the Department requests that Bidders confine any communications about the competition to communication that is necessary in order to develop their proposals. Until the award of the Greater Anglia franchise, Bidders are asked to refrain from comment to national, local and industry media, Passenger Focus, TfL, Members of Parliament and stakeholders about matters connected with the Greater Anglia franchise competition. If there are compelling reasons to make a public statement or comment then, so far as practicable, the Department expects Bidders to discuss the content of such statements or comments with the Department in advance.
2.3 Changes in Circumstances

Bidders (including for this purpose each participant in any joint venture or consortium arrangement) are required to notify the Department of the occurrence of any of the events listed below (for the purposes of this Section 2.3, a ‘change in circumstances’) promptly, and in any case no later than 21 days after such change in circumstances occurs. A change in circumstances means the occurrence of any of the following:

- any change to their corporate structure or the structure of the bid vehicle from that set out in their application to be accredited to receive this ITT. This includes the grant of any options to acquire shares, any agreement relating to the exercise of rights attaching to such shares, and any amendments to a shareholders’ agreement, articles of association or similar constitutional documents;
- any changes to the information provided to the Department as part of the accreditation process; or
- any other changes to their circumstances, or the basis of their bids, which may be expected to influence the Department’s decision on the suitability of the bid vehicle to be the Franchisee for the Greater Anglia franchise.

Any such notification shall provide full details of the proposed change, including final form copies of the documentation required to put such change into effect.

The Department reserves the right to approve or reject such changes (including any changes to the basis on which the Bidder was accredited to receive this ITT), or to impose such conditions as it considers appropriate. The Department further reserves the right to exclude a Bidder from further participation in the competition where it rejects any such changes.

2.4 Cost of Bidding and Model Audits

Each Bidder will be responsible for all costs, expenses and liabilities incurred by it in connection with the Greater Anglia franchise letting process, whether or not its bid and/or associated negotiations are ultimately successful or the process is subsequently varied in any way. Bidders will be responsible for all costs associated with the Modelling Best Practice Confirmation and, if required, Model Audit (each as defined in Section 5.8 (Model Sign-off – Terms of Reference)). Bidders shall bear the risk of errors within the Financial Model, the Record of Assumptions and any associated Operational Models and of any adverse impact that this may have on the subsidy or premiums payable. Further information on the requirements in relation to the Financial Model is provided in Section 5 (Financial Elements).

2.5 Preparation of Bids

The Department expects to receive bids that contain minimal qualifications. Bidders should make full use of all the information provided with this ITT, in the data site as defined in Section 2.6 (Data Site) and, thereafter, the query process described in Section 2.7 (Query Process).
2.6 Data Site

The Department has established a ‘virtual data room’ (the “data site”), operated by Connect Internet Solutions, containing, in electronic form, documents and information specifically relating to the Greater Anglia franchise and the incumbent operator of the National Express East Anglia franchise.

2.7 Query Process

All queries and requests for information must be submitted by Bidders in the Microsoft Excel format prescribed in the 5th April 2011 e-mail from Daniel Beveridge, DfT Commercial and Technical Services, to pre-qualified Bidders.

Queries and requests for clarification or additional information should be submitted by e-mail to: greateranglia@dft.gsi.gov.uk.

Any query or request for clarification or additional information must meet the requirements stated below. Failure to satisfy the Department of the value of the information sought may result in the request not being accorded priority attention and/or it being viewed as an unreasonable request for information.

A Bidder may request that the Department treat a query and its response as confidential. Any such requests must be made at the time of submission of the query. The Department will advise the Bidder if it considers that the query cannot be treated as confidential, at which time the Bidder may either withdraw the query or accept that the response may (at the Department’s discretion) be transmitted to the other Bidders.

Bidders must ensure clarity as to the expected source, scope and format of the material required (e.g. passenger count details by period, by service group for the last year).

Queries from Bidders will be responded to expeditiously having regard to the nature, extent and availability of the information requested. The Department will endeavour to respond to all queries before bids need to be submitted, but Bidders should note that the Department cannot guarantee this, especially if queries are received later than ten working days before the required submission date, or if it has not been possible to collate the necessary data for a response.

The Department reserves the right to transmit to other Bidders (without reference to the identity of the author of the query) the questions (other than those agreed as confidential) asked by, and the answers provided to, any Bidder. This will be done by means of bulletins published periodically on the Greater Anglia data site.

2.8 Structure and Format of Bids

Bidders should note that the Department will evaluate the compliance of bids with the structure set out in Table 2-2 (Structure and Format of Bids) and, following any appropriate clarification, may ask for re-submission or disqualify any bid that does not conform or is deficient in comparison with this structure.
The size of the main text of the bid including the Executive Summary and proposed means of delivery of the Base Service Specification including all annexes/appendices will be limited to 600 pages. Any proposed Incremental Options which the Bidder wishes to be assessed as part of the base Delivery Plans must be included within the relevant Delivery Plan and within the 600 page limit. Further Bidder-generated Incremental Options can be proposed which will not be subject to a size limit but these will not be assessed as part of the deliverability score (Section 2.10 Incremental Options provides further information). This requirement is summarised in Table 2-2.

The following elements of the bid will be outside the page limit:

- the contents of the financial part as described in Table 2-2;
- the contents of the technical data part as described in Table 2-2;
- the contents of the legal and compliance part as described in Table 2-2; and
- covers, section dividers and indices.

One page constitutes one printed side of A4. For main text the minimum font size is 11 pt, font type is standard (i.e. not ‘narrow’) and minimum line spacing is 13pt. Double sided printing is required where this is practicable. Bidders will be encouraged to use a simple presentation style, avoiding expensive bindings, colour photographs and other high cost elements of production that do not directly add value to the substance of the bid.

The Department reserves the right to advise any Bidder exceeding the page size limit that their bid is non-compliant and not to evaluate that bid unless/until the Bidder informs the Department, within a timetable stipulated by the Department, which pages they wish to withdraw in order to become compliant.

Bidders are required to submit numbered copies of their bid, in accordance with the requirements listed in Table 2-2 (Structure and Format of Bids) and in the following formats:

**Hard Copies**

Hard copies should be contained in ring binders suitably segregated into the number of sets required. Bidders should clearly identify the part and set number (e.g. Part 1 Set 1, Set 2, Set 3, Set 4 and Set 5) and each ring binder must be labelled clearly with the volume name, copy number, the Bidder’s name and an index of the contents of the binder.

Four hard copies are required of Part 1 the Main Text, and Part 2 Financial. Two hard copies are required of Part 3 Technical Data, and Part 4 Legal and Compliance.

**Electronic Copies**

Electronic copies should be in CD format. Each CD must be labelled clearly with the part, copy number, the Bidder's name and the contents of the CD. Information is required to be stored in Microsoft Word/Excel 2003 (or later) format, except the financial models which should be provided in Microsoft Excel 2003 format. Documents should not be submitted in Acrobat, except where unavoidable. All electronic copies should be packaged separately from the hard copy sets and identified as "Additional CDs".
Four electronic copies are required of Part 1 the Main Text, and Part 3 Technical Data. Three electronic copies are required of Part 2 Financial and Part 4 Legal and Compliance.

**Additional Electronic Copies**

One electronic un-priced copy of Part 1 the Main Text is required in CD format, labelled clearly with the copy number, the Bidder’s name and the contents of the CD. Information is required to be stored in Microsoft Word/Excel 2003 (or later) format. The Department will send this copy, together with one of the Part 3 copies specified above, to Network Rail. Documents should not be submitted in Acrobat, except where unavoidable.

Bids are to be submitted to:

John Gilbert  
Commercial and Technical Services  
Department for Transport  
3/29 Great Minster House  
76 Marsham Street  
London  
SW1P 4DR

**by 12.00 hours GMT on 7 July 2011.**

**Bidders should ensure that they complete and include the Declaration of Conformity and Transparency Condition Statement at Attachment I, in their Part 4 Legal and Compliance responses.**

No other documents or information shall be submitted with the bid. The bid must be submitted in boxes marked ‘CONFIDENTIAL – Greater Anglia Franchise bid submission in response to ITT’. The boxes should not be marked in any way that would indicate the identity of the Bidder. Bidders should obtain a formal receipt from the Department at the time of the submission of their bid.

The Department requires that Bidders supply each complete set of documentation in a separate box and ensure that an index is provided for the electronic information. The Department also requires that, for electronic information, the file structure matches the sequence of the hard copy documentation.

Bids received after the Department’s stated date for submissions, or which are not duly completed and signed, may be disregarded by the Department. Nevertheless, the Department expressly reserves the right, in its absolute discretion, to treat any bid as valid and to proceed with the inclusion of any bid notwithstanding any procedural defect in relation to the submission of the bid.

All bids are required to be in English and amounts denominated in pounds sterling.

Bidders will be required to present key elements of their submissions to the Department on the working day following bid submission.
**Table 2-2: Structure and Format of Bids**

Bidders are required to provide the following when submitting their bids:

<table>
<thead>
<tr>
<th>Part</th>
<th>Hard Copy</th>
<th>Electronic</th>
<th>Size limit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> Main text</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Summary Delivery Plans for Base Service Specification and Incremental Options to be assessed as part of base Delivery Plans (Section 4)</td>
<td>4 copies</td>
<td>4 copies +1 unpriced copy +1 HTM copy</td>
<td>600 pages including annexes/appendices</td>
</tr>
<tr>
<td>Delivery Plans for Incremental Options not to be assessed as part of base Delivery Plans</td>
<td>4 copies</td>
<td>4+1+1 copies</td>
<td>none</td>
</tr>
<tr>
<td><strong>2</strong> Financial</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational Models and Financial Model (Section 5) including revisions in respect of Priced Options and Incremental Options PDF of Templates &amp; outputs of Tier 1 Operational Models</td>
<td>none</td>
<td>3 copies</td>
<td>75MB maximum size per workbook (See Section 5)</td>
</tr>
<tr>
<td>Record of Assumptions, Operating Manual, Modelling Best Practice confirmation, Financial Adviser's letter, Confirmation of Bond availability, ROSCO term sheets</td>
<td>4 copies</td>
<td>3 copies</td>
<td>none</td>
</tr>
<tr>
<td><strong>3</strong> Technical Data</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>If appropriate, timetable submissions including: working timetables, rolling stock and crew diagrams and platform workings in support of Delivery Plans for Base Service Specification, Priced Options and Incremental Options</td>
<td>2 copies</td>
<td>4 copies</td>
<td>none</td>
</tr>
<tr>
<td><strong>4</strong> Legal and compliance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>'Deltaview’ mark-up of the Franchise Agreement, including completion of</td>
<td>2 copies</td>
<td>3 copies</td>
<td>none</td>
</tr>
</tbody>
</table>
2.9 Executive Summary

Part 1 of the bid should also include an Executive Summary that describes the Bidder's vision for the Greater Anglia franchise and how the Department objectives for the franchise will be met. The Executive Summary should not contain overall pricing information but should include information on reduction in unit costs referred to in section 3.3.4.1.

2.10 Incremental Options

The Department welcomes proposals that enable the delivery of a more efficient service, representing better value for money for passengers and taxpayers (Incremental Options). Such Incremental Options must be presented, fully specified and priced incrementally from the Base Service Specification, and should be self-contained, i.e. not dependent on any other Incremental Option which may be included in the submission.

The Department requires the Incremental Option to be expressed as a clearly defined commitment, with clear timed plans for implementation that describe the circumstances and conditions under which the Incremental Option can be delivered, the benefits which will be achieved, and (if appropriate) how Bidders will engage with stakeholders in implementing proposals. Bidders will be expected to identify clearly the risks, constraints or other factors that may affect deliverability of any Incremental Option and any ways in which these might be mitigated or overcome.

The Department is aware that Bidders are likely to assess a range of potential initiatives for the Greater Anglia franchise whilst preparing their bids. Bidders may identify initiatives, which they consider to be of merit, but which have failed to achieve the Bidder's financial criteria for inclusion in the Base Case bid. In these circumstances, Bidders are encouraged to submit the initiatives as Incremental Options. The Department will consider purchasing the Incremental Options offered by the winning bidder subject to affordability constraints and economic appraisal criteria.

The pricing strategy adopted for the Greater Anglia franchise may result in initiatives which would be expected to have a positive overall financial case not providing a net financial return to the franchise. In these circumstances, the Department is prepared to assess proposals for Incremental Options as part of the scoring of base Delivery Plans; such proposals are particularly encouraged in relation to the Maximising Revenue Principal Delivery Plan and the Service Quality key component of the Franchise Initiatives Principal
Delivery Plan. The pricing of Incremental Options will still be excluded from calculation of the risk adjusted NPV of franchise payments. If the Department chooses to contract an Incremental Option then the franchise payment will be adjusted including revision to Target Revenue if appropriate. Incremental Options are subject to the page count restrictions described in Section 2.8 (Structure and Format of Bids).

2.11 Non-Compliance Statements

2.11.1 Franchise Agreement Non-Compliances

Bidders are required, when submitting their bids, to list in the format set out in the following table, all requirements of this ITT with which they are not able to confirm compliance in full. Full details of the reasons for the non-compliance should be given. Any provision not so listed and detailed will be regarded as having been accepted unconditionally.

Bidders are also required when submitting their bids to list in the format set out in the following table, all clauses, sections and schedules of the Franchise Agreement and associated contractual documents with which they are not able to confirm compliance in full. Full details of the reasons for non-compliance should be given. Any provision not so listed and detailed will be regarded as having been accepted unconditionally.

Table 2-3: Format of Non-Compliance Statement

<table>
<thead>
<tr>
<th>Document</th>
<th>ITT Sections/Terms and Conditions which have NOT been complied with</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Franchise Agreement</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2.11.2 Changes in Circumstances and Competition Matters

Similarly, Bidders are required to include in their bids in the format set out in the following table, details of any change in circumstances or competition matters that affect their bidding position.

Table 2-4: Format of Statement of Changes in Circumstances and Competition Matters

<table>
<thead>
<tr>
<th>Change</th>
<th>Reporting Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Circumstances</td>
<td>Bidders should include details in response to the instructions contained in Section 2.3 (Changes in Circumstances)</td>
</tr>
<tr>
<td>Competition Matters</td>
<td>Bidders should include full details of any matter under consideration, or which may reasonably be expected to be the subject of consideration, by OFT and/or the Competition Commission or the European Commission as referenced in Section 2.18 (Competition Matters)</td>
</tr>
</tbody>
</table>
2.11.3 Secretary of State's Risk Assumptions

One standard Secretary of State Risk Assumption ("SoSRA") has been included in the Franchise Agreement issued with this ITT. Bidders are discouraged from proposing their own SoSRAs. Where Bidders do propose their own SoSRAs, the Department may either reflect the cost of the SoSRA(s) in the risk adjusted price of its proposal, or request that the Bidder price for the withdrawal of the SoSRA(s). If a Bidder does not agree to a request to withdraw the SoSRA(s), the Department may consider the bid to be non-compliant.

Bidders are invited to comment on the draft SoSRA included in the Franchise Agreement by submitting a written response to James Smith, DfT Commercial and Technical Services, by 17.00 hours GMT on 20 May 2011.

2.12 Non-Compliance

If any bid is found not to comply with the Department’s requirements (including whether or not such non-compliance is specified in any Non-Compliance Statement), or lacks, in the opinion of the Department, any information necessary to enable evaluation, or is found to contain inconsistent information, the Department may:

- evaluate the bid as submitted;
- seek additional information or clarification from the Bidder; or
- reject the bid.

2.13 Validity of Bids

Bidders shall confirm the validity of their bids including the terms, bid price, and any subsequent changes agreed for a period of 250 days from the date of bid submission.

2.14 Industry Consultation and Disclosure of Information in Bids

Bidders should be aware that, following the submission of bids, the Department will need to consult HM Treasury, the Office of Rail Regulation ("ORR"), its advisors, Network Rail and TfL. The Department will also consult such other persons as it considers necessary or appropriate including, but not limited to, its advisers, bodies representing passenger interests (such as Passenger Focus), the Disabled Persons Transport Advisory Committee, affected Local Authorities and Regional Development Agencies or Regional Planning Bodies (collectively referred to as Consultees and each separately referred to as a Consultee).

Accordingly, the submission of bids will constitute permission by the Bidders for the Department to disclose to any Consultee all or any of the information contained in, or supplied in connection with, such bids, excluding any commercially sensitive material as appropriate and which is clearly marked by Bidders as such.

In addition, Bidders are reminded that in order to develop and agree Track Access Agreements and Station Access Agreements, Network Rail may need to consult, amongst
others, passenger and freight train operating companies and that this process may involve discussion of relevant aspects of the bids. Bidders are required to cooperate with these consultations. The Department may ask Network Rail to comment on such elements of the bids and to address their comments to both the relevant Bidder and the Department.

In developing their bids, Bidders can expect to be contacted by, and are encouraged to consult with stakeholders relevant to the Greater Anglia franchise following the start of the Bid Preparation Phase. It is each Bidder’s responsibility to decide on the scope and extent of Stakeholder Consultation but they should note that the Department may seek views from stakeholders on the state of progress of consultation. Bidders should note that Network Rail will formally advise the Department of the level of contact and engagement that it has had with each Bidder.

2.15 Evaluation of Bids

Bids must be complete and submitted in accordance with the instructions to Bidders set out in this document. Bids must be compliant with the requirements of the Franchise Agreement. The evaluation of bids shall be conducted in accordance with the Department's Franchise Evaluation Process Charts, a copy of which will be placed in the data site.

The Department will evaluate bids and rank them for the purposes of selecting the Franchisee on the basis of the results of each Bidder’s Base Service submission only, with the exception of Incremental Options included within Delivery Plan responses which will be scored as part of those Delivery Plans (Section 2.10 Incremental Options provides further information).

The Priced Options and Incremental Options will be evaluated. The results of the evaluation of these proposals will serve to inform the Department on the procurement options to be pursued with the preferred Bidder, and only after the Department has made its preferred Bidder decision.

Bidders are asked to submit a cost for up to 13 rail periods, to 19 July 2014. The Department will take into account 50% of the risk adjusted NPV of this subsidy/premium when evaluating each bid.

2.16 Negotiation and Award

Following bid evaluation and clarification, the Department reserves the right to negotiate with one, some, or all Bidders. There will be no public announcement of the preferred Bidder until that Bidder has been advised that the Department intends to award them the franchise. The Franchise Agreement will be initialled, and therefore subject to no further changes, after the London Stock Exchange closes and the Secretary of State has been informed of the identity of the preferred Bidder. The Department intends to run a voluntary mandatory standstill period of 10 calendar days between informing all Bidders of the outcome of the franchise bid process and entering into the franchise with the successful bidder. During this standstill period the Department will not award the franchise to the successful Bidder. An announcement will be made to the London Stock Exchange at 07.00 hours the following morning setting out the Department’s intention to award the franchise
following a mandatory 10 day standstill period. Following the successful conclusion of the standstill period, the Franchise Agreement will be awarded.

2.17 Debrief for Bidders

The Department considers that debriefing of Bidders for a franchise is an important element in an open and transparent franchise procurement process. This assists the Department in the lessons learned process, and provides input that may help shape the development of future franchise procurements.

Each Bidder will be invited to a separate debrief session during the voluntary 10 day standstill period referred to above. This session is to help them understand how their bid performed and how future bids could be improved. Following the debrief session Bidders will be advised that they may submit a list of questions to which the Department will provide a written answer. Responses to this information may be provided outside of the 10 day standstill period and will not delay award of the franchise agreement to the successful bidder.

Bidders are deemed to understand fully the procurement process that the Department is running to let this franchise which is a Part B services contract to which the Public Contracts Regulations 2006 do not apply.

2.18 Competition Matters

The Office of Fair Trading ("the OFT") expects that notification to the OFT will be made following the announcement by the Department of the identity of the Greater Anglia Franchisee. Notwithstanding this, the OFT strongly encourages any Bidder who believes that a successful bid would give rise to a substantial number of overlaps with its other transport interests to contact the OFT as soon as possible, on an informal basis, to discuss the OFT's requirements in the event of a successful bid.

Following signature of the Franchise Agreement, the Franchisee will meet with the OFT to discuss the information the OFT requires in relation to a Notification. The OFT will only commence its inquiry into the award of the Greater Anglia franchise following the receipt of a satisfactory submission from the Franchisee. If there are significant overlaps, the OFT will want survey evidence to consider the substitutability of alternative modes of transport in the franchise area. If necessary the OFT will be happy to discuss further how any such survey should be carried out and how evidence should be supplied.

Following submission of the Notification, the OFT, or after any reference, the Competition Commission, may require undertakings from the Franchisee (and/or any companies within the Franchisee’s group) to prevent pre-emptive action which might prejudice any reference or impede any possible future remedies. Such undertakings would be likely to be in relation to the on-going behaviour of the Franchisee (and/or any companies within the Franchisee’s group) such as prices and service levels on overlapping modes of transport within the physical area of the Greater Anglia franchise. The undertakings may be required until such time as any merger inquiry is concluded.
Where the turnover of parties to a merger exceeds certain turnover thresholds, the merger must be notified to the European Commission under the European Community Merger Regulation ("ECMR") for scrutiny. The European Commission however has previously indicated that it will not consider the merger until such time as the Bidder has been awarded the franchise. Bidders must inform the Department promptly if notification to the European Commission may be required. The OFT might seek, under Article 9 of the ECMR, to have the merger referred to the UK competition authorities if it seems likely that the merger might threaten to impede effective competition or if it affects a market within the UK which does not constitute a significant part of the common market. Alternatively, under Article 4(5) of the ECMR, the parties to a merger can ask the European Commission, prior to notification, to have the merger referred to the UK competition authorities for consideration, provided certain criteria are fulfilled. The European Union process may have an impact on the timetable in which the merger can be completed since completion of the deal is prohibited while the merger is subject to European Union scrutiny. The Bidder will co-operate with any inquiry and provide assistance to the European Commission in deciding whether to clear the concentration, or to initiate proceedings and undertake an in-depth investigation. Because completion of the deal is prohibited while the merger is subject to EU scrutiny the potential applicability of the EU regime is relevant to the deliverability of bids. Accordingly in addition to notifying the Department of its assessment of the risks of the EU regime applying in its bid Bidders must also indicate how it is proposed that the risks will be mitigated and its view of the likely effectiveness of such risk mitigation. The Department will take this into account in evaluation.

The Department does not expect to delay entry by the Bidder into the Franchise Agreement if inquiries by the OFT and the Competition Commission are not complete. The Franchisee will be required to sign the Franchise Agreement and (subject to the special circumstances of the EU regime applying discussed above) commence the operation of the franchise notwithstanding any ongoing competition law processes, investigations or negotiations. Bidders will be at full risk for implementing any requirements mandated by the OFT, the Competition Commission or the European Commission.

If any Bidder is advised by the OFT, the Competition Commission or the European Commission that the award of the franchise would be subject to any prohibitions, divestments of interests or undertakings the Bidder will inform the Department as soon as possible and if such requirements would, in the view of the Department prejudice the franchise, or any other franchise, the Department reserves the right to disqualify the Bidder from the Greater Anglia reletting process.

2.19 Transparency and Freedom of Information Act 2000

The Freedom of Information Act 2000 (the "FOIA") provides a general right of access to all information held by public authorities. The Department is a public authority. The general right of access to information is then limited by a number of exemptions. When someone requests information under FOIA, the Department must release that information unless one of the exemptions in the FOIA applies.

In submitting their bids in response to this ITT, Bidders are invited to identify which parts, if any, of their bid are provided to the Department in confidence or are commercially
sensitive, such that they may be exempt from disclosure under FOIA. Bidders should provide reasons why such information should not be disclosed in response to any request and an estimate of the period of time during which the bidders believe that such information will remain exempt from disclosure.

Bidders should note that, even where information is identified as commercially sensitive or confidential, the Department may be required to disclose such information in accordance with the FOIA. The Department is required to form an independent judgment concerning whether the information is exempt from disclosure under the FOIA. In particular bidders should be aware of the Code of Practice issued by the Secretary of State for Constitutional Affairs under section 45 of the FOIA: Section 45 FOIA which limits the circumstances under which a public authority should agree to hold information in confidence. It could be the case, therefore, notwithstanding notification by bidders that parts of a bid have been provided in confidence or are commercially sensitive, that the Department will be obliged to disclose those parts.

Bidders should note that the Department will place a redacted copy of the ITT in the public domain at the same time as it is supplied to Bidders.

Bidders’ attention is drawn to the relevant provisions of the FLPA, which permits in certain circumstances disclosure of information by the Department, as well as the provisions in relation to the disclosure of information contained in the Environmental Information Regulations 2004 and section 145(2) of the Railways Act.

2.20 Redactions from the Franchise Agreement and Associated Documents

The Department is committed to transparency in the procurement of its contracts. This includes the publication of all tender documents for contracts over £10,000 on a single website (“Contracts Finder” which can be found at www.businesslink.gov.uk/ContractsFinder), and the publication of contracts in full. By responding to this ITT Bidders are agreeing to abide by these commitments.

Additionally, in accordance with s73 of the Railways Act 1993 (as amended), the Secretary of State is required to keep a register of franchise documents for the reference of the Office of Rail Regulation and Scottish Ministers (“the Section 73 Register”).

Bidders are required to acknowledge that, except for any information which is exempt from disclosure in accordance with the provisions of the FOIA, the content of the Franchise Agreement, the Conditions Precedent Agreement and any agreed Side Letters (together the “Franchise Signature Documents”) is not Confidential Information. The Department shall be responsible for determining in its absolute discretion whether any of the content of the Franchise Signature Documents is exempt from disclosure in accordance with the provisions of the FOIA. Notwithstanding any other term of the Franchise Agreement, the Bidder hereby gives his consent for the Department to publish the Franchise Agreement in its entirety, (but with any information which is exempt from disclosure in accordance with the provisions of the FOIA redacted) including from time to time agreed changes to the Franchise Agreement, to the general public.

The Department may consult with the Bidder to inform its decision regarding any redactions but the Department shall have the final decision in its absolute discretion. The
Franchisee shall assist and cooperate with the Department to enable the Department to publish the Franchise Agreement.

Within four weeks of signature of the Franchise Agreement, the Franchisee will be required to submit to the Department a list of proposed redactions from the Franchise Agreement, the Conditions Precedent Agreement and any agreed Side Letters (together the “Franchise Signature Documents”).

The Franchisee may request that any such redaction is made in respect of the Public Register, the Section 73 Register, or both. For each redaction, the Franchisee should specify the exact text it proposes should be redacted, and justify the redaction with reference to the criteria in s73(3) of the Act, and/or the exemptions in Part II of FOIA, as appropriate. The Department will then consult with the Franchisee to endeavour to agree a list of proposed redactions in advance of the Secretary of State publishing the Franchise Signature Documents on the Public Register and the Section 73 Register.

Prior to the commencement of the Franchise, the Franchisee is required to satisfy the conditions as set out in the Conditions Precedent Agreement. Satisfaction of those conditions may involve the entry into, or provision to the Department, of a number of other Agreed Form Documents and other documents. Within thirty calendar days of the date on which the Certificate of Commencement is issued, the Franchisee will again be required to submit to the Department a list of proposed redactions from these further documents in the manner described above. The Department will again consult with the Franchisee to endeavour to agree a list of proposed redactions in advance of the Secretary of State publishing these further documents on the Public Register and Section 73 Register.

Should agreement on a redacted version of any document not be reached, the Secretary or State may, at his sole discretion, nevertheless place that document on the Register subject to such redactions (if any), as he considers appropriate.

2.21 Variations to the Franchise Agreement

Bidders’ attention is drawn to the variation provisions in Schedule 19 section 1 of the Terms and the ability of the Secretary of State to amend the Service Level Commitment pursuant to Schedule 1.1 of the Terms. The Secretary of State reserves the right to require variations to the Franchise Services and/or the manner in which Franchise Services are required to be delivered, and any consequential changes to the Terms.

In particular, variations may result from changes to the specification or timing of committed projects affecting the Greater Anglia franchise. Further information on the committed projects: Olympic Games, Cambridge Station and Crossrail; and other committed national rail projects is provided in section 3.3.

Variations will not necessarily be restricted to the effects of committed projects. However, any changes required will be such as a reasonably competent and professional operator of the franchise could, in all relevant circumstances, reasonably be expected to be able to deliver and will be generally consistent with the overall scope of the franchise proposition taking into account the need to be able to vary the nature, quantity and manner of delivery of franchise services in response to circumstances relating to the development of railway
infrastructure and services and other relevant financial, economic and technical developments and the implementation of developing rail policy.
SECTION 3: THE BASE SERVICE SPECIFICATION: INPUTS AND ASSUMPTIONS

Bidders are expected to refer to the draft Franchise Specific Agreement and National Rail Franchise Terms Fifth Edition (Greater Anglia) supplied with this ITT.

Bidders’ notice is drawn to the affordability constraints that apply to the rail industry. Regardless of the value for money aspect of any given investment proposal, the Department will only consider such proposals if its budget allows.

3.1 Franchise Duration

Appendix 8 of the Franchise Agreement (Figures for the Calculation of Annual Franchise Payments) requires Bidders to price for a franchise length of one year and six railway periods, with the franchise ending on 20 July 2013.

The franchise can be extended by up to one year, although this would be solely at the Department’s discretion. The Department will require a price for this period to an end date of 19 July 2014. Fifty per cent of the present value of risk-adjusted premium/subsidy for this one year period will be included in any assessment of overall franchise value. Periodic seasonal factors will apply to the Target Revenue and the TRRPI element of the franchise payment for the calculation of franchise payments for the continuation price. The periodic seasonal factors will be provided by the Department.

3.2 Maximising Revenue

3.2.1 Demonstrating revenue maximisation

For the Greater Anglia Franchise the Department is taking revenue risk, and will provide 100% revenue support if actual revenue falls below the Target Revenue that is set out in the data site (together with the assumptions that lie beneath this). Where actual revenue exceeds the Target Revenue, the Franchisee shall share 50% of the excess revenue with the Department.

The Target Revenue currently forecast by the Department includes a provisional allocation of Olympic Travelcard revenue. If the final agreed allocation is materially different Target Revenue will be adjusted.

It is essential that Bidders demonstrate to the Department how they intend to maximise revenue to achieve the target levels. These actions should cover all areas of revenue that are included in the contract definition of Revenue. It is noted in 3.2.2 that there is an output based measure for ticketless travel. There is no need for specific Committed Obligations to be proposed for ticketless travel reduction. However, in all other areas of revenue the Bidders will be expected to detail what actions they will take to ensure the maximum revenue is collected. Bidders will be required to contractualise these arrangements as Committed Obligations.

3.2.2 Ticketless travel
In addition to assessing the appropriateness of Bidders’ Revenue Maximisation Delivery Plans, the Department will also require Bidders to commit to its proposed ticketless travel monitoring regime which will be implemented to ensure all appropriate efforts are made by the Franchise to collect revenue. Ticketless travel is defined in accordance with the Ticketless Travel Survey methodology which will be provided to Bidders.

The Franchisee will be required to co-operate with independent surveys procured by the Department in the 13th period of operation of the Franchise and every three periods thereafter. The required methodology for carrying out the Ticketless Travel Survey and the 2010 levels of ticketless travel are set out in the data site. The report has established a central case of 9.4% ticketless travel.

Bidders will be required to minimise revenue loss across the Franchise to achieve a central case benchmark of no more than 5% ticketless travel as measured by the independent survey result, following the methodology shown in the data site. A pro-rata financial penalty will apply to surveyed ticketless travel in excess of the 5% target level. Where the target is not achieved the penalty will equate to 50% of the level of shortfall against the target, multiplied by the Actual Fares Revenue achieved in the period of the survey and the preceding two periods.

3.2.3 Fares

The Fares policy that will apply throughout this franchise will remain unchanged. Annual increases will be limited to an average regulated fares increase will be RPI +3%, and no individual fare will increase by more than RPI +3% +5%.

Also, it should be noted that Oyster Pay As You Go will continue to be accepted as it is currently. No extension to this is required in this franchise although Bidders are free to explore an extension to this with Transport for London should they wish to pursue this. Any proposed extension should be detailed in the bid.

Certain issues in relation to the technical updating of the fares provisions within the Franchise Agreement are outstanding. Updated wording will be provided as soon as possible but this is not expected to materially alter the commercial position of the franchisee.

3.2.4 Additional revenue-related obligations

The Greater Anglia franchise commercial structure, where the Department is taking revenue risk and providing 100% revenue support, has led the Department to include specific franchisee obligations in the Franchise Specific Agreement. These relate to car park revenue, fares and Schedule 8 delay attribution.

3.3 Franchise Initiatives

3.3.1 Full repairing station leases
The Greater Anglia Franchisee will assume full repair responsibilities for the 167 stations\(^1\) for which it is SFO under a 99 year lease from Network Rail at peppercorn rent. It will be governed by a modified contractual framework including new station licence requirements for asset stewardship. The monitoring and enforcement of the station licence will be the responsibility of ORR and this will include a determination at the end of the franchise that the all relevant obligations have been delivered. The Franchisee will retain revenue from commercial activities subject to the revenue sharing arrangements in the Franchise Agreement and, in addition to Qualifying Expenditure, receive Long Term Charge from station users. The Franchisee will not pay Long Term Charges to Network Rail for the stations at which it is SFO.

The primary objective for stations in this short franchise is to bring them under efficient integrated management. The Department has commissioned Network Rail to put in place framework delivery contracts to cover reactive maintenance and smaller planned maintenance and renewals (M&R) required under the responsibilities transferred to Network Rail. These contracts will be novated to the successful franchisee and we expect the contracts to include the option to be extended to include conventional SFO responsibilities. It is for bidders to determine delivery arrangements for the larger M&R schemes within the budget set out by Network Rail. The terms for the delivery contracts, a history of reactive maintenance, small planned M&R schemes and large M&R schemes are each set out in the data site together with an explanatory note.

Bidders’ attention is drawn to the explanatory note on maintenance and renewal works in the data site. This document represents the current position in respect of delivering Network Rail’s CP4 obligations as advised to the Department. Bidders will be expected to discuss this with Network Rail, as whilst it is not expected to fundamentally change, there may be some changes which reflect the activities carried out by Network Rail as part of its on-going asset stewardship. The plan should detail what will be delivered and for what prices in respect of the following:

- Reactive maintenance and renewal – Bidders are asked to review the reactive maintenance history and provide a price for undertaking this work. The franchisee will have freedom whether or not to use the framework delivery contract novated from Network Rail for this work.
- Small maintenance and renewal scheme - Bidders are asked to provide a provisional sum which will equal to the budget amount shown on the document. Bidders will be required to use the framework delivery contract novated from Network Rail for this work. When the contract is in place the franchise payments will be re-stated to reflect the final contracted amount.
- Large maintenance and renewal schemes – Bidders will have freedom to make their own arrangements to deliver this programme and are asked to provide a price for undertaking these schemes. This price will form part of the evaluation.

Bidders’ proposal should set out their plan for how they will satisfy the asset stewardship obligation.

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\(^1\) The exact arrangements for Station Facility Owner at Stratford are yet to be confirmed. Bidders should assume that they will not pay any more for the long term charge at Stratford, details of which can be found at [http://www.rail-reg.gov.uk/upload/xls/cp4-pl_ing_trm_stns.xls](http://www.rail-reg.gov.uk/upload/xls/cp4-pl_ing_trm_stns.xls)
The Department is in discussion with ORR and Network Rail in relation to the status of programmed work completion at the beginning and end of franchises. Appropriate mechanisms are required to protect all parties' interests and these may require additional provisions to be made in the Franchise Agreement.

The Department expects to see the Franchisee establish a sound platform for integrated station management upon which the subsequent Greater Anglia Franchisee can build. Bids will therefore be expected to include proposals for the efficient and effective hand over of the policies, strategy (including forward delivery and development plans) and records that, for the successful bidder, will form a committed obligation. The Department requires Bidders to provide transparency of costs and outputs for the planned and actual management of stations to gain early data and insights on the effectiveness of these arrangements. Bidders should provide transparency in information provision concerning maintenance, renewal and replacement.

3.3.2 Service quality

Bidders are asked to note the National Passenger Survey (NPS) information which is contained in the data site; this is expected to be used as the basis for actions proposed to improve customer satisfaction. The Department is not requiring Bidders to commit to NPS targets due to the short franchise length and the time taken for the impact of actions to be reflected in customer satisfaction scores. The Department does however expect actions proposed by Bidders to be designed to produce long term improvements in the NPS results for the Franchise.

Bidders are required to set out what actions they propose to take to improve customer satisfaction. Proposals should indicate which of these actions they are willing to contractually commit to, explain why this is relevant and the impact of such action throughout the franchise term and beyond. The proposals should be divided into two distinctive sections:

(a) a core proposition – Bidders’ proposals as part of the base case where Bidders must set out what quality standards they will set for the franchise and how these will be delivered and what improvements this will make to customer satisfaction;

(b) an enhanced proposition – what Bidders will offer in addition to the core proposition. It will detail the price of such an option and set out what this will achieve over and above the core proposition in relation to customer satisfaction. This enhanced proposition would represent an Incremental Option.

Bidders are also required to implement a Service Quality Management System (SQMS) in line with the Service Quality Standards and SQMS reporting template that can be found at Appendices F and G respectively.

3.3.3 Olympic services

Bidders are asked to note that the Greater Anglia Franchisee will be responsible for delivering the current organisation and resources for delivery of the Olympic Service Delivery Plan (OSDP) in respect of the period of the Olympic Games. The OSDP is available in the data site.
Bidders are asked to note the contractual requirements for Olympic services.

Bidders are required to provide for the cost of additional services but not additional station staffing. The incumbent will be procuring additional staff at Stratford etc and therefore this will not need to be priced.

The OSDP outlines:

- current organisation and resources;
- additional train services to be provided;
- additional train strengthening; and
- resource requirements to deliver the OSDP.

Bidders should note that the ODA wishes to retain flexibility to modify the OSDP in order to respond to changing circumstances. The franchisee will have a reasonable endeavours obligation to facilitate these changes.

An additional performance regime will apply to the delivery of Olympic services:

- Each incidence of cancellation of a service in the OSDP will trigger an Olympics Cancellation Payment Adjustment; and
- Failure to deliver the total agreed number of vehicles in service across the Greater Anglia franchise on each day of the Games will trigger a proportionate Olympics Capacity Shortfall Payment Adjustment.

The arrangements in respect of Olympics capacity are expected to be as follows: As part of the Olympic Services key component of the Franchise Initiatives Principal Delivery Plan, Bidders should describe how they will achieve additional fleet availability during the Games; Bidders are required to propose an Olympic Vehicle Target, the total number of vehicles which will be available for service across the Greater Anglia franchise each day of the Games (this number should be sufficient to deliver the OSDP as currently provided to bidders); the franchisee will be required to report the total number of vehicles in service each day of the Games; the Olympics capacity shortfall payment adjustment fee will apply to the extent that there is a shortfall between the actual number of vehicles in service and the lower of the Olympic Vehicle Target and the number of vehicles required on that day in accordance with the final agreed version of the OSDP.

3.3.4 Co-operation with other initiatives

3.3.4.1 Rail value for money and industry cost reduction

Sir Roy McNulty has been leading the Rail Value for Money study. The study findings will be published shortly.

Bidders are required to consider how the costs of running the railway can be reduced to secure a sustainable and efficient railway for the future. Bidders are also expected to propose in their plans how they would reduce the unit costs of their existing operations to improve efficiency.
Reducing the cost of the railway is a very important objective for the DfT.

Bidders are required to describe how they plan to reduce the unit costs that they can control during the life of the franchise. A specific delivery plan is not required; rather every delivery plan should include a section that describes the initiatives that bidders will implement to reduce unit costs. A quantitative summary of the total reductions expected to be achieved by these initiatives should be presented in the bid executive summary.

The Department considers that ‘total costs per vehicle mile’, presented on an annual basis, is an appropriate measure for unit costs. The executive summary should provide, for each year of the franchise, the impact that bidder initiatives have on this measure.

The new franchisee will be expected to work with the Department and Network Rail on ideas for bringing costs down and improving cooperation between the management of track and train. Bidders should develop plans for how closer working and alignment of incentives with Network Rail will improve value for money.

Bidders should also demonstrate how they will work to facilitate and implement the outcomes of structural reform in the industry.

### 3.3.4.2 Crossrail

The Crossrail Project is a major new piece of railway infrastructure for London, with an estimated total construction cost of £14.5bn. Crossrail Services will run both on the existing Network Rail-owned network and over a newly constructed and largely tunnelled section which will be owned by TfL. Through services are due to commence running in 2018. However in advance of this date responsibility for the operation of certain existing services is expected to transfer to the Crossrail operator. Bidders’ attention is drawn to the information contained on the data site in relation to the Crossrail Project and further information may be obtained from Crossrail Limited. Bidders should note that the degree of interface between the franchise and the Crossrail Project is likely to be greater should the Department’s right to extend the franchise be exercised.

It is anticipated that sometime around April 2015 the services between Shenfield and Liverpool Street that call at all stations will transfer from the Greater Anglia franchise to the Crossrail concession. Bidders should use reasonable endeavours to set up a Separable Crossrail Business Unit by 14th October 2012, but no later than 31st December 2012. The data site contains details regarding current thinking on how these services will eventually be transferred out of the Greater Anglia franchise and Bidders should use this to assist in the design of the separable business unit. Bidders’ proposals should set out:

- Confirmation that the scope of the separable Crossrail business unit includes all activities up to first line supervision necessary to operate the services that are anticipated to transfer to Crossrail and stations for which Station Facility Ownership responsibility will transfer;
- Management and other support from the franchise which is not included in the separable Crossrail business unit;

All services provided by the separable Crossrail Business Unit and staff and other resources will form part of the franchise for its duration and will be subject to all relevant obligations of the franchise agreement.
• Details of the posts that are included in the separable Crossrail Business Unit;
• Confirmation that all driver diagrams are separate i.e. no cross cover, other than to the extent that E-Line services travel to Southend Victoria on Sunday which will not be required; and
• Arrangements for the provision of the separate management information for the Crossrail business unit.

In addition to the creation of the separable business unit, Bidders will be required to co-operate and engage with the Crossrail Programme insofar as it interfaces with the operation of the Greater Anglia franchise. The data site contains information of the anticipated impact of this, including in relation to construction works at Ilford and the Crossrail rolling stock procurement. Bidders will be expected to set out the details of how they will co-operate and engage with the programme as well as ensure that the long-term interests of the Greater Anglia franchise are protected.

3.3.4.3 Transport for London

The Department expects Bidders to actively engage with Transport for London and generally cooperate on regular and ad hoc work streams, as well as the specific issues that are set out below. Bidders may be required to cooperate with other schemes developed by TfL or other public authorities such as the London Boroughs to enhance intermodal interchange at stations or improve the surrounding streetscape, as well as facilitating links to new developments.

Bidders are asked to note the data site entry regarding TfL’s current aspirations for the Greater Anglia short term franchise, and are invited to present details of how they will engage with TfL throughout the life of the Franchise. The plans should set out how the organisation will engage with TfL and respond to TfL’s aspirations in terms of:

• the extension of Oyster PAYG to Cheshunt and Shenfield;
• provision of new ticket gates;
• deep clean at stations;
• provision of additional cycle parking facilities; and
• provision of Foster boards at stations.

Two further specific issues relevant to the Greater Anglia Franchise are:

(i) a major development is planned at Meridian Water (5,000 new homes) between Northumberland Park and Angel Road stations. The development will require good access to the adjacent Lee Valley rail route; and

(ii) the cleanliness and condition of Edmonton Green station often attracts adverse comments from stakeholders who would like to see improvements at this location to aid the regeneration and economic development of the local town centre.

3.3.4.4 Cambridge development
Bidders are asked to note the data site information relating to the CB1 development at Cambridge station. This development is delivering a mix of residential, retail and leisure facilities in the area immediately outside the station. As a consequence of this, Network Rail has entered into a section 106 Agreement with the developers Brookfields to deliver £4 million of improvements to the station area. An extract of this agreement is shown in the data site. Currently, £2.24 million of this investment is available to be spent. Any investment must have the approval of Network Rail, Cambridgeshire County Council and Cambridge City Council. Bidders are invited to submit a proposal for delivering £2.24 million investment at Cambridge station over the life of this contract delivering works which are complaint with Station Works as shown in the extract of the section 106 Agreement.

3.4 Ongoing Delivery

3.4.1 Service specification

Bidders should note that no major changes to the current service specification are planned for the duration of this contract, but the existing Ipswich to Saxmundham services will be extended through to Lowestoft when Network Rail has completed work to provide a passing loop at Beccles (target date: December 2012 timetable change). Otherwise Bidders will be required to operate the timetable that is inherited at the start of the contract and to fulfil the role of Timetable Participant as defined in Part D of the Network Code. This will include the submission to Network Rail of the Access proposal for the December 2013 timetable on the Priority Date in February 2013.

A Service Level Commitment will apply. Effectively this limits the changes that can be made to the timetable to those non-material changes which arise from the industry planning process and any changes which are either directed or agreed to by the Department.

3.4.2 Lead Operator

There are no planned changes to lead operator status within the Greater Anglia Franchise other than at the stations that will transfer to the Crossrail Train Operating Concession (CTOC) operator.

3.4.3 Performance

3.4.3.1 Delay Minutes, Cancellations & Capacity Benchmarks

Bidders are asked to note that the Greater Anglia Franchisee will be required to sign up to the values of the Long Term Performance Plan (LTPP).

The Delay Minutes benchmark in Schedule 7 of the National Rail Franchise Terms have been recalibrated to more accurately reflect the TOC-on-Self delay minute targets shown in the LTPP for NXEA. Cancellations are not included as part of the LTPP. Therefore, the values in Schedule 7 have been calibrated to reflect recent performance.
3.4.3.2 Performance Information

The Greater Anglia Franchisee will be required to publish information by line of route within three months of the start of the contract. It will be for Bidders to propose exactly how they will publish this information, but as a minimum this is expected to involve publication on the company website and publication of information at stations to a standard and frequency that will be proposed by Bidders. The information to be published is the percentage of trains arriving at destination within 4 minutes and 59 seconds of the advertised time having called at all stations. Services are monitored over a 4 week rail period and through a moving annual average.

The lines of route which apply are:

- **West Anglia** - all services that operate on the West Anglia line of route except Stansted Express services;
- **Rural** - all services on rural lines emanating from Cambridge, Norwich, Ipswich, Lowestoft and Peterborough;
- **Stansted Express** - the service between Stansted Airport and London Liverpool Street station;
- **GE Metro** - services between Shenfield and London Liverpool Street stations; and
- **GE Outers** - the remaining services on the Great Eastern main line.

3.4.4 Rolling Stock, depots and maintenance

Bidders’ proposals should set out the rolling stock that they believe will deliver the December 2011 timetable and how this will achieve the required crowding standards.

The Franchisee will need to agree with the Department, rolling stock leasing companies and vehicle maintainers as appropriate, the transfer of existing (or commencement of new) leases and associated contracts for the rolling stock that will enable it to deliver its obligations under the Franchise Agreement. This requirement will be a condition precedent to the start of the Greater Anglia Franchise.

It should be noted that there is no requirement for Bidders to enter into or transfer leases that operate on the existing franchise. However, if rolling stock leases with section 54 undertakings are not transferred, the Department will assign any financial liabilities it incurs to the cost of the franchise via an adjustment to the subsidy/premia line, until such time as alternative leases have been entered into. The Greater Anglia franchise currently leases class 379 rolling stock with section 54 undertakings.

Full details of the rolling stock used in the NXEA Franchise are in Appendix 1C.

It is not expected that there will be any change to the depots or stabling locations used, although Bidders may propose more effective use of the facilities. Details of the depots and stabling locations used in the Franchise are in the data site.
The Franchisee shall carry out a programme of refresh works for 17 class 321 units (cascaded London Midland Units) by undertaking a minor refresh of the unit interiors. Works to include new 1st class carpet, new 1st class seat covers, new standard class seat covers, replacing standard class vinyl floor, recovering/replacing dado panels, replacing labels, recoating seat back handles and grab poles. Materials will be made available to the Franchisee to carry out this refresh and further details of these are available in the data site.

3.4.5 Accessing the Network

Bidders are required to illustrate how all public facing staff will be properly trained and detail their procedures for the sale of tickets to disabled passengers. (It is expected that the assisted persons’ helpline will be provided free of charge).

Bidders are also required to outline plans of how they will provide an Assisted Passenger Reservation Service. Bidders should highlight how they will provide improvements to the service and may wish to consider the recent findings published by Passenger Focus: Assisted Passenger Reservation Service Report.

3.4.6 Passenger Compensation Regime

Bidders are asked to note that the Department’s current standard passenger charter arrangements and delay repay system will apply. In addition Bidders will be expected to ensure that in the event of an emergency timetable being introduced, compensation entitlements will be based on the timetable that is offered with due consideration also given as to what timetable a season ticket holder could have reasonably expected at the time of purchase. Holders of other tickets will, as now, be entitled to refunds on tickets that have not been used under the provisions of the National Rail Conditions of Carriage.

Bidders should demonstrate how they will proactively inform passengers of their right to claim in any given situation and set out the procedures that will be adopted to make it easier to claim. Should a period of sustained poor peak performance be experienced (as measured by the number of trains arriving at their final destination within 10 minutes of their scheduled time), Bidders should consider compensating season ticket holders over and above the arrangements outlined above. In doing so, Bidders should consult Passenger Focus and London TravelWatch as appropriate.

Bidders should provide a definition of “sustained poor performance” and state how this will be assessed and by what route types.

"Peak" is defined as arrivals at London Liverpool Street between 07:00 and 09:59 and departures from London Liverpool Street between 16:00 and 18:59 on Mondays to Fridays (excluding Bank Holidays).

3.4.7 Security
Bidders are asked to note The Police Service Agreement contained in the data site. It is mandatory that this is included in the Greater Anglia short term franchise. Bidders are also required to set out how they will approach and manage crime, safety and security.

3.4.8 Organisation, staffing and stakeholder relations

3.4.8.1 Transfer of Undertakings (Protection of Employment)

Bidders should assume that the transfer of the London Eastern Railway Limited business and the entry into the Franchise Agreement will constitute the transfer of an undertaking for the purposes of the Transfer of Undertakings (Protection of Employment) Regulations 1981 as amended 2006 (TUPE). Details will be provided of employees of London Eastern Railway Limited, who will transfer to the Greater Anglia franchise.

3.4.8.2 Pensions

Bidders are required to confirm acceptance of the terms and conditions relating to pensions contained in Schedule 16 (Pensions) of the Terms.

Bidders should not assume that the Department will provide any indemnity regarding any payments that may be required under the Railways Pensions (Protection and Designation of Schemes) Order 1994 (SI 1433) or otherwise.

The Franchisee will become the Designated Employer for the active, retired and deferred members of the current shared cost sections of the Railways Pension Scheme ("RPS") as defined below:

- Anglia Railways shared cost section
- Great Eastern Railway shared cost section
- London Eastern Railway (West Anglia) shared cost section

Currently new employees join the London Eastern Railway Ltd defined contribution section for a period of 2 years and are then offered the opportunity to transfer into one of the above defined benefit sections.

Bidders are required to set out their approach to managing the existing pension scheme from the start of the franchise period with all assumptions clearly stated.

Subject to meeting their obligations under the RPS, at the end of the Franchise Term the Franchisee shall have no responsibility for any deficit in the scheme (other than contributions due and payable before the end of the Franchise Term by the Franchisee) and have no right to benefit from any surplus which may exist in the relevant section.

Bidders should assume that only active members would transfer as part of the transfer of staff to CTOC, following the call of the Crossrail option.

3.4.8.3 Community Rail Strategy
The Government is committed to the implementation of the Community Rail Development Strategy aimed at improving the long term viability of local and rural railways - a copy of the Strategy can be found on the Department's website: [Community Rail Development Strategy](#).

The three aims of the Strategy are to increase revenue, reduce costs and increase community involvement in local and rural rail. The Review of the Strategy published in March 2007 added a fourth objective, stimulation of economic and social regeneration.

At the heart of the Strategy are Community Rail Partnerships ("CRPs") who bring together the industry and local stakeholders to promote and develop their railways. The Franchisee will be expected to work with and provide support to relevant partnerships. More details can be found in the data site.

The Department expects Bidders to demonstrate a commitment to work with the existing partnerships and any new partnerships developed over time and to indicate how they propose to work with communities over the life of the franchise. Bidders should also demonstrate their approach to station adoption.

### 3.4.9 Operational and regulatory requirements

#### 3.4.9.1 Driver Only Operation Equipment

The Department is aware that some of the on-station DOO equipment is coming to the end of its life. The equipment is the responsibility of Network Rail, however the incumbent has been carrying out some minor modifications and this work may be continued. To address this need an amount of £170k will be required to be spent by the Franchisee over the life of the Franchise.

If the Franchisee does not spend this amount as it is not deemed to be needed, the Department would not view this action as an enforcement issue.

#### 3.4.9.2 Station Leases

Further information on station leases can be found in section 3.3.1.

#### 3.4.9.3 Depot leases

Details of depot leases currently held by the National Express East Anglia franchisee can be found on the data site.

#### 3.4.9.4 Safety Certificates for Railway Undertakings

The Franchisee will be required to obtain a Safety Certificate in accordance with the ROGS Regulations for the Greater Anglia franchise as a condition precedent to the
commencement of the Greater Anglia franchise. The Franchisee shall be responsible for maintaining the Safety Certificate for the term of the Greater Anglia franchise.

Bidders must engage with HM Railway Inspectorate during the Bid Preparation Phase as early as possible in order to ensure that the Safety Certificate will be issued in good time for the start of the franchise. Bidders will be required to engage as early as possible to discuss the new stations responsibilities.

Further information on the requirements and the process for obtaining a railway Safety Certificate can be found on ORR's website via the following link: ORR Safety Certificate.

3.4.9.5 Licensing

As a condition precedent for the start of the Greater Anglia Franchise, the Franchisee will be obliged to apply for, and secure, all licences (including new station licences) and a related Statement of National Regulatory Provisions to operate railway assets within Great Britain. Typically, this process can take up to 16 weeks to complete, allowing for consultation and due process. ORR normally requires appropriate safety authorisations to be in place prior to the final issue of these licences.

Further information on the issue and administration of licences can be found at the following website: http://www.rail-reg.gov.uk/

3.4.9.6 Railway Safety and Standards Board

The Franchisee will be expected to become a member of the Rail Safety and Standards Board (RSSB) and, as such, the Department will expect it to engage proactively as a member of that company. In particular, this requires the Franchisee to engage in:

- the consultation process for new standards (both railway group standards and any ATOC ‘Codes of Practice’);
- the process of generating the Railway Strategic Safety Plan; and
- the delivery of an appropriate contribution to that Railway Strategic Safety Plan. TOCs are required to produce an Annual Safety Plan that should be available on request to the Department and ORR.

The Franchisee will also be expected to participate in industry groups and committees addressing the domestic, European and research safety agenda of the Railway and Standards Board. The Department has an expectation of full engagement in safety at both Franchisee and parent company level.

3.4.9.7 Station, Depot Access Agreements and Track Access Agreements

Existing access rights will be transferred under the Start Date Transfer Scheme. Arrangements for gaining access to stations and depots operated by other TOCs are
covered by access contracts between the Facility Owner and any beneficiaries wishing to use the facility. Access contracts are regulated and are subject to approval or direction by ORR, which has produced a number of template access contracts for use by TOCs. The current Track Access Agreements held by the incumbent franchisee will be transferred to the Greater Anglia Franchisee as per normal industry practice. Details of the existing Track Access Agreements can be found in the data site and on the ORR website.

3.4.10 Mobilisation and Migration

3.4.10.1 Mobilisation

The Franchisee must mobilise with the intention of fulfilling the following aims:
- ensuring the integrity and continuity of existing services;
- to work with other TOCs, Network Rail, ORR and other stakeholders to ensure a successful handover from the incumbent TOC by the agreed transfer date.

This will include, inter alia, staff transfers and transfer of supporting assets and finalisation of commercial arrangements.

For clarity, mobilisation activities are interpreted in this document as being those leading up to the commencement of operations. Migration activities are those relating to the transfer and integration of the existing operations, supporting assets, systems and commercial arrangements to create the new Greater Anglia franchise.

The Department expects a working group to be established including the Franchisee, the incumbent TOC and Department representatives to oversee and monitor progress during the period between selection of the Franchisee and commencement of operations. The main purpose of this group will be to ensure the full and active participation of all parties in a fair, reasonable and timely manner.

3.4.10.2 Transfers to the Franchisee

It is proposed to transfer all property, rights and liabilities that are likely to be required to operate the Greater Anglia franchise to the Franchisee via the Start Date Transfer Scheme.
SECTION 4: THE BID: DELIVERY PLANS

4.1 Introduction

The Department requires Bidders to show how they will deliver the Franchisee’s obligations contained in the Franchise Agreement and how this will meet the objectives of the Greater Anglia franchise. The Department requires Bidders to produce a set of Delivery Plans, setting out how they intend to improve the reliability, reduce the cost and increase the revenue of the service.

4.2 Required Response

4.2.1 Delivery Plan Structure

Bidders are required to provide a set of Delivery Plans addressing the issues of performance, revenue and cost as appropriate. Table 4-1 shows the three Principal Delivery Plans, the required Key Components and suggested Sub-Components. It should be noted that the list of sub-component items is not intended to be exhaustive but the Department will expect Bidders to consider at least these elements when developing their proposals. Bidders may wish to introduce further sub-components.

4.2.2 Performance

The performance coverage within each Delivery Plan should address the business performance of the proposed franchisee. Whilst the ability to deliver improved operational performance in terms of punctuality and reliability forms an important element, the coverage also needs to address wider business performance and how the Department's specification and objectives will be delivered.

4.2.3 Annexes and Appendices

Bidders may include annexes and appendices to their response that should be clearly referenced in the main text. Bidders are reminded that any annexes or appendices are subject to the size limits described in Section 2.8 (Structure and Format of Bids).

4.2.4 Cross Referencing

The Department's evaluators will follow cross references to specific identified elements of the response in relation to other Principal Delivery Plans, e.g. the Ongoing Delivery Plan might cover the contribution made to security by station gating but cite specific paragraphs of the Maximising Revenue Plan in order to describe the solution proposed and provide evidence of its deliverability. No credit will be given for unspecific general references, e.g. "further evidence on this issue is provided in our Maximising Revenue Plan".

4.2.5 Committed Obligations
Where Delivery Plans include promises for specific revenue spending, enhancement investment, or achievement of accreditation standards these will generally not receive credit unless they are linked to appropriate Committed Obligations which should be drafted in the Bidder's Part 4 Legal response.

The Department is aware that not all aspects of Delivery Plans lend themselves to Committed Obligations. Some plans are closely linked to the delivery of core SLC, financial and performance commitments and Ticketless Travel Targets already included in the Franchise Agreement and it is not intended to duplicate those obligations. Committed Obligations linked to delivery of outputs that would be recognised by customers are generally more appropriate than those linked to the internal process of delivery. The Department wishes to encourage focussed obligations in support of key features of Delivery Plans but is not seeking large numbers of de-minimis commitments.

In order to receive full credit the Committed Obligations recorded in Part 4 need to include a clearly defined measurable target, an appropriate time limit for delivery and a proportionate Committed Obligation Payment Adjustment (“COPA”) if delivery is delayed.

4.2.6 Approach

The Department anticipates that Bidders' proposals for the Greater Anglia Franchise will reflect the relatively short duration of the Franchise Term. A Bidders' approach to a key component or sub-component of the Ongoing Delivery Principal Delivery Plan may therefore be one of 'no change' and, subject to credible evidence being provided to support this, this would be considered an acceptable response. Paragraph 4.3.5 describes how the evaluation of the RADAR components would be addressed in this situation.

4.3 Evaluation Process

4.3.1 General

The Department will assess each response according to the Office of Government Commerce (“the OGC”) and European Foundation for Quality Management (“EFQM”) guidelines. The franchise will be awarded to the Bidder who offers the Department the best, robust proposition, in terms of price and reliability, for operating the Base Service Specification, selected in accordance with the Franchise Evaluation Process Charts.

The Department will assess the risk to delivery of overall business performance and the Department's objectives for the Greater Anglia franchise. The three Principal Delivery Plans are weighted equally. The weighting that will be applied to the Key Components of each Principal Delivery Plan is shown in Table 4-2. Evidence of the deliverability of projected revenues and costs will be used to inform the Department's risk adjusted view of the premium or subsidy offered by the Bidder and the assessment of the financial risk of the bid.

4.3.2 Evidence
The Department requires evidence that the Delivery Plans are sound and achievable. Bidders are not expected to repeat evidence of their general competency as a transport operator that will have already been submitted and assessed as part of the EFQM evaluation undertaken at the Pre-Qualification stage. However, evidence is required of deliverability of the specific plans presented for the new franchise, which may be in the form of relevant examples from other operations. The more ambitious the improvement offered by the Bidder or the more innovative its approach, the greater the need for evidence to support the bid.

4.3.3 Deliverability

All bids where the Department is confident of delivery of the Base Service Specification will be judged ‘deliverable’. There is no fixed scoring threshold for deliverability but a bid will be judged ‘undeliverable’ if, after clarification by the Bidder, the risk to delivery of the Base Service Specification is judged unacceptably high by the Department. The risk to delivery could be unacceptably high if there is an exceptionally low confidence in one Principal Delivery Plan or where there is low confidence in a number of Key Components within the different Principal Delivery Plans.

In order to achieve the maximum score available for a Delivery Plan, Bidders will need to demonstrate added value, consistent with the Department's objectives for the franchise, in excess of delivery of the Base Service Specification. In order to receive credit Bidders need to evidence that the added value is in itself deliverable. An example might include a betterment of the required Ticketless Travel Target (Revenue Protection Key Component).

4.3.4 Application of RADAR

The Delivery Plans will be evaluated using the RADAR® process. Bidders are encouraged to identify the RADAR components of their response in respect to each plan, which will be applied as follows:

<table>
<thead>
<tr>
<th>RADAR component</th>
<th>Contents</th>
<th>Weighting</th>
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<tbody>
<tr>
<td>Approach</td>
<td>The Bidder's description of the outcomes which will be achieved and why. The linkage to the Department's objectives for the franchise should be described. This component should include analysis of the existing position supporting the approach proposed and the expected future results.</td>
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<tr>
<td>Deployment</td>
<td>How the outcomes proposed by the Bidder will be delivered. In addition to describing what resources are required and how they will be deployed, this component should include evidence that promised improvements can be secured. Where appropriate, promised</td>
<td>40</td>
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improvements should be linked to Committed Obligations.

| Assessment & Refinement | What Key Performance Indicators the Bidder will measure in order to ensure the delivery of outcomes. Where Committed Obligations are proposed that they are measurable, with appropriate time limits and proportionate COPA. How the business is structured and what processes are in place to react if the desired results are not achieved. This component should consider the risks to delivery and how the Bidder would manage and mitigate them, including possible mitigation actions if forecast revenue is not achieved. | 20 |

The weightings adopted for each RADAR component reflect the application of this system to Delivery Plans for a new business. RADAR® scoring is the evaluation method used to score for the European Quality Award.

4.3.5 Evaluation of Deployment Component

Paragraph 4.2.6 refers to Bidders’ ability to submit a ‘no change’ response to any key component or sub-component of the Ongoing Delivery Principal Delivery Plan. Where no change is proposed as the approach, evidence of deployment is not required. The score for the Approach component, provided it is credibly evidenced, will be applied to the Deployment component.

4.3.6 Financial Modelling Compliance

The Department’s confidence in the ability of the Bidder’s Models to price emerging Changes will not be scored. However, Bidders are still required to comply with the instructions in Section 5, Financial Elements, and the Department will check compliance with these requirements. The Department may instruct a Bidder to correct issues of failure to comply with the requirements of Section 5 and reserves the right to reject a bid as non-compliant in this respect.

4.3.7 Financial Capability Compliance

Where the financial integrity of bids is reliant on material allowances for either cost reductions in comparison with the Department’s comparator model or franchisee retained revenue in excess of the Target Revenue forecast by the Department, the evidence supporting these estimates will be considered. Where the DfT is not convinced that the savings or additional revenue will be achieved it will require additional funding commitments such that the franchisee would remain solvent in the event this element its financial projections cannot be delivered.
4.3.8 Adjustments to Target Revenue

Bidders will be provided with a Target Revenue forecast together with supporting assumptions produced by the Department. This revenue forecast includes an allowance for, inter alia, GDP growth, Olympic revenue and the impact of the targeted reduction in ticketless travel. Bidders may consider that additional revenue can be achieved, for example, as a result of initiatives they intend to take, and the Financial Model Templates provide for possible inclusion of franchisee retained revenue in excess of the Target Revenue forecast by the Department (after DfT Revenue Share).

Any additional revenue forecast by Bidders will be considered as part of the Financial Capability Compliance assessment described above. The DfT will assume that its own forecast is correct in respect of those factors allowed for in it. Where credible initiatives generating additional revenue are proposed by Bidders these will receive credit in the Financial Capability Compliance assessment. The Department will not include any allowance for potential receipts through the Revenue Share/Support mechanism resulting from bidder initiatives in its assessment of the risk adjusted NPV of franchise payments for comparing bids.

4.3.9 Principal Delivery Plans

Table 4-1: Delivery Plans for the Greater Anglia Franchise

The Delivery Plans should be submitted in the sequence shown. All plans are weighted equally. The Key Components are weighted – details are set out in Table 4-2. The sub-components shown in Table 4-1 are not weighted and are not an exhaustive list.

<table>
<thead>
<tr>
<th>Delivery Plan</th>
<th>Key Components</th>
<th>Sub-Components</th>
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<tbody>
<tr>
<td>1. Maximising Revenue</td>
<td>(a) Revenue Protection</td>
<td>Revenue protection resources</td>
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<td>Gating strategy</td>
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<td>Ticketless travel</td>
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<td>(b) Marketing</td>
<td>Incremental Options</td>
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<td>Commercial advertising</td>
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<td>Market Position and Offer</td>
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<td>Marketing Plans</td>
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<td>Market analysis and exogenous growth; change in demand, change in the market,</td>
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<td>market share</td>
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<td>(c) Ticket Retailing</td>
<td>Retailing strategy</td>
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<td>On line sales strategy</td>
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<td>Improving ease of ticket purchase</td>
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<td>Delivery Plan</td>
<td>Key Components</td>
<td>Sub-Components</td>
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<td>(d) Fares and Other Revenue</td>
<td>Car Park demand, provision and pricing</td>
<td>Car park upgrades &amp; new car park provision</td>
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<td>Fares structure</td>
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<td>Premium, Standard and Off Peak fares</td>
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<td>Concessionary fares</td>
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<td>Fares basket management</td>
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<td>Customer fares information</td>
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<td>2. Franchise initiatives</td>
<td>(a) Full repairing station leases</td>
<td>Integrated management</td>
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<td>Fulfillment of station maintenance, operation and improvement responsibilities</td>
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<td>Provision of station lease cost and management data</td>
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<td>Station responsibilities</td>
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<td>Cambridge station development</td>
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<td>Property income including retail space</td>
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<td>(b) Service quality</td>
<td>Incremental Options</td>
<td>Approach to quality management</td>
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<td>Proposed SQMS systems and targets</td>
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<td>Passenger Charter</td>
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<td>Compensation and refunds policy and process</td>
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<td>Improving customer satisfaction</td>
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<tr>
<td>(c) Olympics 2012</td>
<td>Delivery of OSDP</td>
<td>Olympic service delivery regime</td>
</tr>
<tr>
<td>(d) Co-operation with other initiatives including Crossrail and preparation for GA long franchise</td>
<td>Creation of a separable Crossrail business unit</td>
<td>Co-operation and provision of information regarding Crossrail</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Management and planning of expected disruption in connection with Crossrail works</td>
</tr>
<tr>
<td></td>
<td></td>
<td>McNulty rail value for money study</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Engagement with the development work for the long term franchise</td>
</tr>
<tr>
<td>3. Ongoing Delivery</td>
<td>(a) Management of demand</td>
<td>Forecast crowding over Franchise Term (must demonstrate consistency with Fleet Deployment and Crowding forecasts</td>
</tr>
<tr>
<td>Delivery Plan</td>
<td>Key Components</td>
<td>Sub-Components</td>
</tr>
<tr>
<td>--------------</td>
<td>---------------</td>
<td>----------------</td>
</tr>
<tr>
<td>(b) Rolling stock, depots &amp; maintenance</td>
<td>Identification of fleet requirements and deployment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Approach to cleaning in depots and in service</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Train cleaning procedures</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Train Presentation Standards</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Management of depot facilities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Allowance for heavy maintenance requirements</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Depot &amp; Maintenance approach &amp; policy overview</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Depot arrangements including stabling and marshalling arrangements for current and enhanced fleets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Facilities at stabling locations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fleet preventative maintenance arrangements</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reactive maintenance (depot and line of route)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Depots &amp; sidings security</td>
<td></td>
</tr>
<tr>
<td>(c) Timetable &amp; resources planning</td>
<td>Compliance with SLC</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Controlling operational costs</td>
<td></td>
</tr>
<tr>
<td>(d) Performance</td>
<td>Contingency planning</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Data collection &amp; analysis</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Performance Initiatives</td>
<td></td>
</tr>
<tr>
<td></td>
<td>JPIP development process</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Network Rail interface</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Publication of performance improvement</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Control arrangements</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Train Reporting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other service and station disruption risks</td>
<td></td>
</tr>
<tr>
<td>(e) Organisation, staffing &amp; stakeholder relations and security</td>
<td>Corporate structure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Establishment, Headcount &amp; Location</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organisation charts (summary)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Proposed management team</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Staff utilisation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reward policy and expected salary and wage inflation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pensions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Changes to job descriptions and terms of employment (if any)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Relations with trade unions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stakeholder Management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Working with TfL</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Working with other local authorities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Liaison and consultation with Passenger Focus, London Travelwatch and other user groups</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Community Rail</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Station and on-train security (including Secure Station accreditation)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Trespass and vandalism</td>
<td></td>
</tr>
<tr>
<td>Delivery Plan</td>
<td>Key Components</td>
<td>Sub-Components</td>
</tr>
<tr>
<td>---------------</td>
<td>----------------------------------------------------------</td>
<td>-----------------------------------------</td>
</tr>
<tr>
<td>(f) Sustainability &amp; environment</td>
<td>Overall environmental approach</td>
<td>Managing waste and recycling</td>
</tr>
<tr>
<td>(g) Mobilisation &amp; migration</td>
<td>Track access</td>
<td>Safety Certificate</td>
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<tr>
<td></td>
<td></td>
<td>TUPE Pensions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mobilisation programme</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Licences</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Industry IT systems</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Station Access</td>
</tr>
</tbody>
</table>

**Table 4-2: Key Component Weighting**

<table>
<thead>
<tr>
<th>Delivery Plan</th>
<th>Key Component and Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Maximising Revenue</td>
<td>(a) Revenue Protection 30%</td>
</tr>
<tr>
<td></td>
<td>(b) Marketing 15%</td>
</tr>
<tr>
<td></td>
<td>(c) Ticket Retailing 25%</td>
</tr>
<tr>
<td></td>
<td>(d) Fares and other revenue 30%</td>
</tr>
<tr>
<td>2. Franchise Initiatives</td>
<td>(a) Full repairing station leases 25%</td>
</tr>
<tr>
<td></td>
<td>(b) Service quality 25%</td>
</tr>
<tr>
<td></td>
<td>(c) Olympic services 25%</td>
</tr>
<tr>
<td></td>
<td>(d) Co-operation with other initiatives including Crossrail and preparation for GA long franchise 25%</td>
</tr>
<tr>
<td>3. Ongoing delivery</td>
<td>(a) Management of demand 20%</td>
</tr>
<tr>
<td></td>
<td>(b) Rolling stock, depots &amp; maintenance 20%</td>
</tr>
<tr>
<td></td>
<td>(c) Timetable &amp; resources planning 10%</td>
</tr>
<tr>
<td></td>
<td>(d) Performance 20%</td>
</tr>
<tr>
<td></td>
<td>(e) Organisation, staffing &amp; stakeholder relations and security 10%</td>
</tr>
<tr>
<td></td>
<td>(f) Sustainability &amp; environment 10%</td>
</tr>
<tr>
<td></td>
<td>(g) Mobilisation &amp; migration 10%</td>
</tr>
</tbody>
</table>
SECTION 5: THE BID: FINANCIAL ELEMENTS

5.1 Introduction

This section describes the requirement for Bidders to submit a Financial Model and Operational Models (together “the Models”). The Models must be supported by a comprehensive Record of Assumptions and an Operating Manual. The requirement to provide other financial information is also described.

The Models will be used during bid evaluation to compare overall pricing, review detailed projections of revenues (in instances where Bidders elect to prepare or submit a revenue model or disregard the Department’s revenue projections) and costs and to test the financial resilience of Bidder solutions. The successful Bidder's Models will be subject to an independent Model Audit and placed in Escrow after contract signature. Subsequent Changes will be priced by processing revised assumptions through the Models. Whilst it is not intended that the evaluation of bid deliverability will include a scored assessment of the fitness for purpose of the Models, Record of Assumptions and Operating Manual to price Changes, the Department will engage fully with its preferred Bidder(s) to ensure that the modelling suite, Operating Manual and Record of Assumptions are constructed and deliverable in a manner consistent with the principles specified in this section of the ITT. Where it is considered that a Bidder has failed to make reasonable or adequate attempts to conform with the principles outlined in this ITT, the Department reserves the right to determine such bids non-compliant and potentially disqualify the Bidder from the competition.

The output schedules of the Financial Model should be in the format of the Templates provided in Attachment I (the Templates). Bidders are required to follow modelling best practice requirements and other constraints as outlined in this section of the ITT have been introduced, for example, in relation to model size. The Department recognises that some flexibility in modelling requirements may produce the most effective overall solution; as a consequence the scope of the model audit has been restricted and the ability for Bidders to apply, prior to bid submission, for derogations from specific elements of the instructions has been included.

5.2 Model Requirements and Constraints

5.2.1 General

Each Bidder is required to submit and include as part of their bid a Financial Model and all Operational Models that support that Financial Model. These must demonstrate the financial consequences of the Bidder’s business and operational plans over the Franchise Term. All Models will be placed in Escrow in accordance with the Franchise Agreement. The Department anticipates that Models will be structured as illustrated below:
The Department is conscious that, by providing Bidders with its Target Revenue assumptions, Bidders may not have a need to develop certain of the financial modelling suite. Allowance has been made for this by describing Tier 1 models as “Bidder discretionary”.

The minimum review standards that apply to each group of models are described in Section 5.8. This includes those models which are described as ‘Bidder discretionary’ in the chart above and which Bidders elect to develop and submit to the Department as part of their bid.

The Models should be presented in Microsoft Excel format, with workings and formulae intact (i.e. non input cells should not be ‘hard-coded’ with values), and be capable of running on Microsoft Office 2003 version software.

No rows, columns, cells or worksheets of the Models should be hidden or password protected. Protecting worksheets without passwords to avoid accidental changes to inputs or calculations is allowed, provided it does not reduce the transparency or usability of the Models. Grouping rows or columns is permissible, but hiding rows, columns or worksheets is not permissible.

The Department wishes to receive models that are efficient in their operation and use of memory. A maximum file size of 75MB is permitted, and smaller Excel workbooks are encouraged. Any workbook taking up more than 75MB of disk space will be deemed to be non-compliant unless a derogation has been granted.
Bidders are to avoid the use of macros in order to aid model transparency. The use of macros should be limited to areas where their use adds to the user friendliness of the Models (e.g. print macro) or aid the achievement of other requirements of the Models (e.g. avoid circularity or to transfer data between Models). Where macros are required, their function should be clearly explained within the Operating Manual.

In order to aid transparency, use of the INDIRECT and OFFSET functions is prohibited, except where a derogation has been granted.

The Financial Model Templates and Tier 1 Operational Models outputs should also be submitted in PDF format. This should include the Financial Statements for any Incremental Options submitted. No hard copies of Models are required.

The Models submitted by Bidders must be in line with best practice in accordance with the requirements set out in Section 5.8.1 and employ the accepted principles of Separation, Consistency, Integrity and Linearity, unless a derogation has been granted.

Although best practice would dictate that a consistent formula is used in each column, there are a number of circumstances where a model can be made more transparent by changing the formulae across an array. Provided it is made clear (even when printed out and the formulae cannot be seen) that the calculation method is different, the following two cases have been identified when the formulae can differ:

- to allow a different approach to the treatment of forecasts before the Greater Anglia franchise commences (i.e. 5 February 2012) and part years as laid out in the Financial Templates; and
- to allow units, indices and other useful modelling ‘flags’ to be included in the columns to the left of the first modelled year.

Bidders do not need to seek derogation from the Department should the Models deviate from Best Practice in either of the two cases described above.

Cross-links between the Models should not be formed using direct references. Rather, outputs from one Model should be copied to a dedicated paste area in the other, with the origins and destinations of transferred data clearly identified within the Models. All Operational Models that support the inputs to and calculations within the Financial Model are required to be submitted, and it is anticipated that the full suite of Models will be maintained and updated together, and submitted simultaneously as required to support any Change arising during the Franchise Term.

5.2.2 Financial Model

The calculations required to produce other outputs for inclusion in the Franchise Agreement are included in the Templates provided to Bidders. Given the short nature of the GA Franchise, the Department has taken a practical and reduced approach to certain of the financial requirements usually requested of bidders. As such, only the following outputs are calculated on the basis of the Financial Statements populated by Bidders:

- Franchise Payments (Appendix 8 to the Franchise Agreement); and
- Season Ticket Bond values (Schedule 12 to the Terms).
These outputs should change automatically following the running of any sensitivity or Revised Inputs. The Financial Model has been constructed with a specific line item that allows Bidders to record any revenue they believe will be retained for their account under the Revenue Sharing mechanism set out in Schedule 8.1 to the Terms. Should Bidders avail themselves of the use of this line item, it is expected that Bidders will also construct their models in such a manner that will enable the assumed values to allow the Annual Franchise Payments to become appropriately restated in the Financial Model when triggered by revenue sensitivities or variations.

The Department will conduct sensitivity tests on the Financial Model as part of its evaluation process, and does not require Bidders to submit a set of standard sensitivity tests or provide this functionality. Bidders are not, however, required to remove this functionality from the Models where such functionality exists for Bidders’ own use.

Bidders should adopt an absolute sign convention in constructing their Financial Model, such that all revenues and assets are positive and all costs and liabilities are negative.

The Financial Model must have an index switch to allow the user to apply or remove the effect of RPI so as to view the financial templates in both nominal and real terms.

The Financial Model should be self-contained within a single Excel Workbook, and should have the functionality to run any Incremental Options submitted by use of a switch applied to the Base Case Specification and without recourse to the Operational Models. The Operating Manual and Record of Assumptions should clearly explain the method by which the switch selects the case of the different scenarios. The Financial Model should be presented in annual terms, with year-ends coinciding with the Department’s 31 March accounting year-end (as demonstrated on the Templates), except in the case of the part year periods identified in Section 5.3.

Any changes to the Financial Model after bid submission will need to be clearly logged and traceable, including an audit trail in the Financial Model itself, using the templated Version Control sheet. Although it is not a templated output, Bidders are required to incorporate a map illustrating the content and structure of the Financial Model.

5.2.3 Operational Models

The Operational Models are all models that contain calculations generating inputs either directly or indirectly to the Financial Model. These models will be structured as illustrated above, and will incorporate the following Tier 1 Operational Models:

- a Revenue Model (Bidder discretionary). If submitted, this demand / passenger revenue forecasting model must at least disaggregate demand and revenue into the ticket types and Service Groups contained in the Templates. Any further disaggregation of demand and revenue into more detailed flows or segments is at the discretion of the Bidder. The Revenue Model and its associated sub-models in Tier 2 also need to show clearly and apply all demand forecasting input assumptions and parameters and their impact on demand and revenue. This will include, but not be limited to, such factors as:
o macro-economic factors, including competition with air services and car (disaggregated into individual factors where appropriate);
o timetable changes;
o fare proposals and policy;
o operating performance;
o service quality;
o marketing;
o revenue protection initiatives;
o revenue / yield management initiatives; and
o other investments or initiatives (such as station or rolling stock improvements).
o The Revenue Model should explicitly disaggregate the revenue effects associated with the relevant Delivery Plans listed in Table 4-1 in Section 4;

• a Crowding Model (Bidder discretionary). If submitted, this model must be clearly linked to the Revenue Model. This should include a schedule of daily services and stops, with the relevant headcode, diagram and seat and standing capacity, covering individually each service for which crowding could have a material impact;
• an Operating Cost Model that, if submitted, should produce inputs to the Financial Model to the level of disaggregation required by the Templates. Any further disaggregation is at the discretion of the Bidder;
• a Performance Model, if submitted, showing forecast average minutes lateness, attribution of average minutes lateness between the Franchisee and Network Rail, the impact on the Public Performance Measure and the basis upon which any performance receipts and payments are calculated. Performance receipts and payments between the Franchisee and Network Rail should be shown separately. All assumptions relating to the performance model and any performance improvement schemes and associated calculations should be clearly explained; and
• where necessary, a capital funding model, showing the detailed total investment plan for all funding of infrastructure, other works and schemes that support the Bidder’s proposals and that reflects the precise details of their own funding arrangements.

Bidders are requested to detail the approach adopted in their Operating Manual and/or Record of Assumptions.

5.3 Financial Model Templates

The Department requires that the output from the Models follow the Templates in Attachment I. The Department realises that Bidders may wish to expand the level of detail provided within the Models beyond these minimum requirements and requires that this is done in such a way as to remain consistent with the format of the Templates. The level of detail provided should be sufficient to give full transparency of all components of costs but the spare rows provided can be used to accommodate additional detail. Deleting or inserting rows or columns to the Templates is not permitted and will be deemed to be non compliant.

The outputs in the Templates should be linked to the input / calculation cells where appropriate and in such a manner as to facilitate both the understanding of the Financial Model and tracing of core assumptions used in the Financial Model. Bidders can either
add worksheets to the Templates or copy the Templates into their own models. Bidders are required to ensure that the named ranges defined in the Templates are preserved.

Bidders are prohibited from altering any of the Department’s Revenue forecasts in the Templates. Notwithstanding this prohibition, Bidders wishing to submit their own revenue forecast as part of their bid should model such forecasts as increments to the Department’s forecast. Any such Bidder forecasts should be fully explained in the Operating Manuals and Record of Assumptions. It will be acceptable for Bidders to demonstrate only the delta between their own forecast and the Department’s revenue forecasts in the Record of Assumptions.

Where the Department has provided Bidders with forecast revenue figures, Bidders are not required to ‘build up’ or backfill these figures to populate the full template but, rather, should let them lay unaltered in the Templates.

Should Bidders wish to accept the Department’s revenue forecast for the purpose of their bid, they should clearly state that this is the case in their bid and Record of Assumptions.

The format of the profit and loss account, cash flow statement and balance sheet are required to be set out in the manner stipulated by the Templates.

Bidders should note that any types of revenues or costs that it wishes to include under a catch all heading of ‘Other’ should not exceed £500,000 (in real terms) in any year. Where a Bidder anticipates that such revenues or costs will exceed this amount, they should each be separately identified in a separate spare row and not listed under the heading ‘Other’.

The Templates shall be populated in full, with outputs from the Models specified in years that are consistent with the Greater Anglia franchise financial year. To this end relevant worksheets in the Templates are structured with columns that are headed with periods that represent the rail industry year to 31 March of each year.

The Greater Anglia franchise runs part year from 5 February to 31 March 2012. In order to accommodate the difference between the rail year and the part year identified above, the relevant worksheets in the Templates provide an extra column where Bidders should derive the part year element from the full year columns. In addition, extra columns will be provided in the Templates for the part year related to the first franchise end date and the optional 13-period extension following the expiry of the full franchise term.

Bidders may use the two blank columns inserted between the flag / labelling columns and the first modelled year as they see fit. The intention is that these columns will assist in the transfer of historic data to the Financial Model.

For this Greater Anglia franchise competition, the Department has disregarded the lockup ratios regime usually set out in Schedule 12 (Financial Obligations and Covenants) to the Terms. As such, Bidders will not be required to utilise this area of the Templates and it has been greyed out in recognition of this and will not form part of the bid evaluation.

The following table sets out the worksheets contained in the Financial Model Template and a brief summary of each worksheet’s content and status.
<table>
<thead>
<tr>
<th>Sheet</th>
<th>Content</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Template Cover</td>
<td>Properties, legend</td>
<td>Bidder free to use/update</td>
</tr>
<tr>
<td>Template Control</td>
<td>Contains real/nominal switch for templated calculations, option flag,</td>
<td>Bidder to link cells G21 and G28 to model control sheet. Use</td>
</tr>
<tr>
<td></td>
<td>print and group/ungroup macros</td>
<td>functionality but do not alter structure</td>
</tr>
<tr>
<td>Version Control</td>
<td>Version control record</td>
<td>Populate but do not alter structure</td>
</tr>
<tr>
<td>Templated Inputs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Timeline</td>
<td>Define franchise timeline and part year adjustments</td>
<td>Populate blank column headers but do not alter structure</td>
</tr>
<tr>
<td>Indices &amp; Rates</td>
<td>Repository of indices and rates</td>
<td>Populate but do not alter structure</td>
</tr>
<tr>
<td>Line Items</td>
<td>Master definition of line items</td>
<td>Bidder may populate spare line items denoted by square brackets</td>
</tr>
<tr>
<td>Templated Outputs</td>
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<td></td>
</tr>
<tr>
<td>LENNON Revenue</td>
<td>Template for forecasts of selected option</td>
<td>Populate but do not alter structure</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>Template for forecasts of selected option</td>
<td>Populate but do not alter structure</td>
</tr>
<tr>
<td>Staff</td>
<td>Template for forecasts of selected option</td>
<td>Populate but do not alter structure</td>
</tr>
<tr>
<td>Other Opex</td>
<td>Template for forecasts of selected option</td>
<td>Populate but do not alter structure</td>
</tr>
<tr>
<td>RS Charges</td>
<td>Template for forecasts of selected option</td>
<td>Populate but do not alter structure</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Template for forecasts of selected option</td>
<td>Populate but do not alter structure</td>
</tr>
<tr>
<td>Performance</td>
<td>Template for forecasts of selected option</td>
<td>Populate but do not alter structure</td>
</tr>
<tr>
<td>TOC Capex</td>
<td>Template for forecasts of selected option</td>
<td>Populate but do not alter structure</td>
</tr>
<tr>
<td>Financial Statements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P&amp;L1</td>
<td>Template for forecasts of selected option</td>
<td>Populate (row 296 and below) but do not alter structure</td>
</tr>
<tr>
<td>P&amp;L2</td>
<td>Template for forecasts of selected option</td>
<td>Contains formulae, do not alter</td>
</tr>
<tr>
<td>P&amp;L3</td>
<td>Template for forecasts of selected option</td>
<td>Contains formulae, do not alter</td>
</tr>
<tr>
<td>CF</td>
<td>Template for forecasts of selected option</td>
<td>Populate but do not alter structure</td>
</tr>
<tr>
<td>BS</td>
<td>Template for forecasts of selected option</td>
<td>Populate but do not alter structure including Opening Balance in</td>
</tr>
<tr>
<td></td>
<td></td>
<td>column AL</td>
</tr>
<tr>
<td>Output Calculations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NPV</td>
<td>NPV of Franchise Payments calculation (feed from Financial Statements)</td>
<td>Contains formulae, do not alter</td>
</tr>
</tbody>
</table>
5.4 Generic Bidding Assumptions

Bidders are to use the following assumptions in preparing their bids:

- the franchise will commence on 5 February 2012;
- the Greater Anglia franchise financial year commences on 1 April of each year;
- financial forecasts are to include calculations of the tax liabilities of the subject company in accordance with any applicable tax law. Complete integrated tax computations should be included in the Financial Model to the extent that any group, consortium or other form of relief or sale of losses is clearly stated within such model;
- Bidders are free to adopt either UK GAAP or IFRS but the accounting basis chosen must be disclosed and once selected cannot be changed;
- the units to be used in each bid submission are clearly set out in the Templates provided;
- the default prices stated in the Financial Model should be nominal but when viewed in real terms, outputs should be deflated to 2011/12 prices;
- the tables listed below should be completed in 2011/12 prices:
  - Target Revenue table set out in Appendix 2 (Target Revenue (expressed in real terms)) to the Franchise Agreement, as provided by the Department and not to be adjusted by Bidders; and
  - Franchise Payment table set out in Appendix 8 (Figures for Calculation of Franchise Payments) to the Franchise Agreement.
- a Retail Prices Index of 3.5 per cent per annum and an Average Weekly Earnings Index of 3.0 per cent per annum shall apply from 1 April 2012 and annually thereafter. (Bidders should adopt their own RPI and AWE assumptions between 5 February 2012 and 31 March 2012 inclusive, and such assumptions should be clearly stated);
- the real discount rate to be applied is 3.5 per cent per annum;
- net present values of the revenues, costs and Franchise Payments will be discounted back to the start of the franchise (5 February 2012);
- for the purposes of calculating net present values, the templated calculation assumes the following timings for cashflows:
  - 3 March 2012 for the part year 5 February 2012 to 31 March 2012; and
  - mid-year cashflows (30 September) for full Franchisee financial years.
- Revenue Support levels and thresholds are as per the Franchise Agreement;
- there will be no changes to the Track Access Agreement and charging methodologies as a result of any reviews conducted by ORR during the Franchise Agreement.
Term (Bidders should use CP4 rates until the end of CP4 and assume that they are held constant in real terms thereafter); and
- for calculating Franchise Payments the methodology should be applied consistently on an annual basis, in accordance with the Franchise Agreement.

5.5 Record of Assumptions and Operating Manual

The Record of Assumptions and Operating Manual are required to accompany the Models and should be submitted as Microsoft Word documents.

The Record of Assumptions should contain all financial and operational assumptions used and shall explain and discuss the inputs of each Model, including the base unit cost for each input. Where contracted variable unit costs have the potential to change as a result of Change (e.g. maintenance contract charges which vary between mileage bands), Bidders are required to include the full range of potential unit costs of their anticipated contracted agreements within the Record of Assumptions.

Bidders wishing to submit their own revenue forecast as part of their bid should model such forecasts as increments to the Department’s forecast. It will be acceptable for Bidders to demonstrate only the delta between their own forecast and the Department’s revenue forecasts in the Record of Assumptions.

The Record of Assumptions should include assumptions used in the pricing of any Priced Options (and Incremental Options if submitted). A description of accounting policies and taxation assumptions should also be included.

The Operating Manual should provide detailed instructions for operating the Models and include the following:

- a description of each Model, its structure and capability;
- an explanation of the flow of data through the Financial Model and the interfaces with the Operational Models submitted. This may be presented diagrammatically with supporting narrative as appropriate;
- a description of the purpose and operational characteristics of each worksheet and how it interacts with the Models;
- instructions on how to input data, select assumptions and calculate the financial outputs;
- a table setting out the percentage of total other revenues, other operating costs and rolling stock costs (totals in real terms over the Franchise Term) that are earned from or paid to HQ, group or other affiliates; and
- where macros (or other visual basic functions) have had to be used, a description of any macros used in the operation of the Models, the reason for their use and how they impact on the results.

5.6 Incremental Options and 'Blank Option'

The Department requires a consistent level of detail / information for any Incremental Option to enable it to make an informed decision. Therefore financial outputs for each
option should be produced automatically by use of a switch that will update the financial outputs automatically. Models should be capable of running multiple Incremental Options in combination, except where Options are mutually exclusive.

Incremental Options should be indexed in accordance with the mechanism set out in Schedule 8.2 (Annual Franchise Payments) of the Terms.

5.7 Derogations

The Department may grant derogations from the modelling requirements in the following three areas:

- Model size;
- Use of OFFSET and INDIRECT functions; and
- Modelling Best Practice.

Applications must be made in writing to the Commercial and Technical Services Team by 20 May 2011 at the latest. It is not expected that derogations will be necessary for Financial Models.

5.7.1 Model size

The Department will consider applications to exceed the 75MB workbook size limit where it is demonstrated that adherence to this limit generates significant inefficiencies, or materially reduces the level of confidence in the resulting forecasts.

5.7.2 Use of prohibited functions

The Department will consider applications for use of the OFFSET and INDIRECT functions where the following are demonstrated:

- that the use of these functions generates significant savings in model run times and use of disk space or otherwise significantly assists the efficient pricing of Change; and
- that the use of these functions is clearly explained and documented in the Operating Manual and Record of Assumptions.

5.7.3 Modelling Best Practice

The Department will consider applications to relax the principles of Modelling Best Practice on an individual basis, and considers that derogations may be more appropriate for elements of Tier 2 Operational Models, at the underlying input/assumption interface.

5.8 Model sign-off - Terms of Reference

The minimum level of model audit or review required by the Department for each of the Models is summarised below:
The Financial Model will be subject to a full Model Audit as described in Section 5.8.2. The Department recognises that the accounting elements of the Model Audit are not relevant to the Tier 1 Operational Models, and therefore requires a review of the calculations only, to be conducted by the same party as the Model Audit, as set out in Section 5.8.3. The Department will conduct a technical review of the Operational Models in Tier 1 and Tier 2 as part of its evaluation process. It is at the Department’s discretion as to whether any aspect of the technical review is shared with the relevant Bidders.

Bidders are required to satisfy themselves as to the technical accuracy of all Models prior to submission, noting the allocation of risk with respect to errors within the Models described in section 2.4.

5.8.1 Modelling Best Practice Confirmation

Each Bidder must provide an independent Modelling Best Practice Confirmation report on all sections of the Models, co-addressed to the Department and that Bidder, as part of its bid submission, taking account of any derogations obtained (described in Section 5.7). The Best Practice Confirmation is not considered to be an audit of the Models.

All costs associated with the preparation of the Modelling Best Practice Confirmation are for the Bidder’s account only.

The Modelling Best Practice Confirmation must provide confirmation in adequate detail that the Models have or provide for:

- **Separation** of inputs, calculations and outputs;
  - Inputs: should include data and assumptions but no calculations;
  - Calculations: should include individual calculations that support each line of all outputs and reports. There should be no duplication of calculations nor should input cells be hard-coded in the calculation sheets; and
- Outputs: should not include any hard-coded input cells or calculations except for sums and check totals.
- Data inputs, calculations and output areas should be completely separate and clearly labelled. The Modelling Best Practice Confirmation must document the high level patterns of data flow within the Models and include a flow chart of the main data flows between worksheets and workbooks;
- **Consistency** of formulae across rows and down columns and across worksheets. The Models should have time periods across the columns and calculations down the rows. This should be consistent in all worksheets. There are two areas where consistency is most important:
  - Columns: the same column should be used for the same period in each worksheet; and
  - Rows: a row will contain only one formula, copied across all columns.
- The Modelling Best Practice Confirmation must provide a review of the Models’ structures by means of spreadsheet maps, which give a visual representation of the worksheet structure and layout, highlighting elements of the worksheet layout that warrant further investigation (however, as this is not as detailed as a Model Audit, each individual formula is not checked);
- **Integrity** of financial statements (e.g. that there are no balancing figures). The Modelling Best Practice Confirmation must provide an assessment of the extent and effectiveness of internal and/or error checks contained within the Models and detail any internal control checks that indicate errors; and
- **Linearity** of calculation flow (e.g. that there are no circular references);
- **Macros**, where required, their function should be clearly explained.

The Modelling Best Practice Confirmation must also provide confirmation that the 75MB size limit has been adhered to, and that the INDIRECT and OFFSET functions are not used except where derogations (described in section 5.7) are granted.

### 5.8.2 Model Audit

Following bid submission and prior to contract award the Department will request one or more Bidders to obtain an independent audit of Financial Model (the "Model Audit") on all sections of the Financial Model. The Model Audit shall be prepared for the benefit of the Department and the Bidder and shall be co-addressed to them. All costs associated with the preparation of the Model Audit are for the Bidder’s account only. Bidders must obtain the Department’s acceptance (not to be unreasonably withheld) of their choice of independent model auditor and its agreement to the definition of the Financial Model for determining the scope of the audit. The Department will expect to receive the audit report within ten working days of it being requested of the Bidder.

The Department requires the Model Audit to confirm:

- whether the Financial Model has been constructed appropriately so as to materially achieve the objective that it was designed to meet, insofar as its logical integrity under the Base Case assumptions and input data is concerned, including the conversion of real values to nominal values;
- whether the tax charge, liabilities and payments calculated by the Financial Model, on the basis of the assumptions made in the Operating Manual and Record of
Assumptions appear materially consistent with current understanding of existing UK tax legislation;

- whether the key accounting assumptions in the Financial Model and the Operating Manual and Record of Assumptions appear materially consistent with current understanding of UK GAAP/IFRS;
- whether the calculation of the Annual Franchise Payments is in accordance with the terms of the Franchise Agreement;
- whether the Financial Model has been developed in a well structured manner to acceptable standards;
- whether assumptions and input data in the Operating Manual and Record of Assumptions have in all material respects been consistently reflected in the Financial Model;
- Incremental Options if submitted: the Department will require an audit to be performed on all of the Options which have been, or may yet be, contracted. Any redundant Options should be removed from the Models at this point; and
- For robustness purposes the Department may provide the preferred Bidder with no more than five tests for the purposes of understanding robustness of the stress test. The Model Audit will test the logical integrity of the arithmetical operations in the Financial Model formulae and calculations under the assumptions and input data for the specified test. A robustness test is defined as a change in one or more variables.

Bidders should note the allocation of risk with respect to errors within the Models described in section 2.4.

5.8.3 Calculation Review

The independent party conducting the Model Audit will also conduct a review of the calculations employed in the Tier 1 Operational Models. The Calculation Review will be conducted to the same standard as the Model Audit, but will exclude the technical elements of this process relating to taxation and accounting practices. The Department requires the review to confirm:

- whether the Tier 1 Operational Models have been constructed appropriately so as to materially achieve the objective that it was designed to meet, insofar as its logical integrity under the Base Case assumptions and input data is concerned;
- whether the Tier 1 Operational Models have been developed in a well structured manner to acceptable standards;
- whether assumptions and input data in the Operating Manual and Record of Assumptions have in all material respects been consistently reflected in the Tier 1 Operational Models; and
- Incremental Options if submitted: the Department will require a review of all of the Options that have been, or may yet be, contracted. Any redundant Options should be removed from the Models at this point.

5.9 Financial Structure and Funding

Each Bidder is required to:
• detail the total investment plan for all funding of infrastructure, other works and schemes that support its proposals, including explaining its linkage with the Financial Model;
• submit precise details of its own funding arrangements and detail the exact nature of relationships with any funding partner or underlying financial securities provided by third parties;
• provide details of the providers of the Performance Bond and Season Ticket Bond including term sheets from the Bond Provider(s) in order to demonstrate that the requirements of the Franchise Agreement have been met;
• submit a statement from the relevant Bond Provider accepting the form of the Performance Bond as set out in the Franchise Agreement;
• submit a statement from the relevant Bond Provider accepting the form of the Season Ticket Bond as set out in the Franchise Agreement;
• demonstrate how ongoing working capital requirements, as forecast in the Financial Model, will be funded;
• for each franchise commitment made in the bid (or groups of commitments if appropriate), submit a funding plan with full details of its linkage with the Financial Model, each source of funding, including rights and obligations of each type of funding and details of agreements with the organisations providing funding. For each source, a letter of support and term sheet must be provided from the underwriting financial institution setting out the terms and conditions (including all condition precedents, fees, repayment profile, basis of interest rate calculation) of the finance;
• incorporate in its funding plans, an investment profile as detailed in the Templates providing for each proposal category (Base Case Specification and Priced Options (and Incremental Options if submitted)) and by investment category;
• submit a letter from its financial adviser(s) confirming that:
  o the funding plans for all aspects of the bid have been developed to a stage that will allow funding to be made available to the Franchisee on execution of the Franchise Agreement;
  o financial adviser support of the funding proposition has been provided in the knowledge of the terms and conditions set out in the term sheets of the finance providers;
  o the funding plans are accurately reflected in the Financial Model;
• confirm the interest rates and contractual terms of any inter-company debt funding, subordinated loans or other funding arrangements between or to be between the Franchisee and any affiliate or third party; and
• provide details and assumptions for interest earned on cash deposits.

5.10 Other Information Required

Bidders should show separately the costs involved and assumptions made in relation to pension contribution rates, both employer and employee.

5.11 Funding Agreement

A bidder will make proposals to fund the Franchisee through the acquisition of shares in the Franchisee by its parent company and may, additionally, propose that the Franchisee
is funded by a loan facility from its parent company. The Secretary of State requires such funding proposals to be robust and, accordingly, they must be contractualised on completion of the Franchise Agreement. A template “Deed of Undertaking re: Share Capital and loan facility” has been provided and Bidders are required to confirm in their bids that they accept its terms and will be prepared to contractualise their funding proposals accordingly from completion of the Franchise Agreement. The required wording is provided at Attachment F.
SECTION 6: FURTHER INFORMATION

Further information relating to the Greater Anglia Franchise, for example on issues such as working with stakeholders and accessing the network can be found in the data site (folder 15.5).
APPENDIX 1A: LIST OF GREATER ANGLIA FRANCHISE STATIONS

167 Stations where Greater Anglia Franchisee will be Station Franchise Operator:
Acle
Alresford
Althorne
Angel Road
Attleborough
Audley End
Battlesbridge
Beccles
Berney Arms
Bethnal Green
Billericay
Bishop’s Stortford
Braintree
Braintree Freeport
Brampton (Suffolk)
Brandon
Brentwood
Bromsgrove
Broxbourne
Bruce Grove
Brundall
Brundall Gardens
Buckenham
Bures
Burnham-On-Crouch
Bury St Edmunds
Bush Hill Park
Cambridge
Cambridge Heath
Cantley
Chadwell Heath
Chappel & Wakes Colne
Chelmsford
Cheshunt
Chingford
Clacton On Sea
Clapton
Colchester
Colchester Town
Cressing
Cromer
Darsham
Derby Road
Diss
Dovercourt
Dullingham
Eccles Road
Edmonton Green
Elmshwell
Elsenham
Ely
Emerson Park
Enfield Lock
Enfield Town
Felixstowe
Forest Gate
Frinton on Sea
Gidea Park
Goodmayes
Great Bentley
Great Chesterford
Great Yarmouth
Gunton
Hackney Downs
Haddiscoe
Halesworth
Harling Road
Harlow Mill
Harlow Town
Harold Wood
Harwich International
Harwich Town
Hatfield Peverel
Hertford East
Highams Park
Hockley
Hoveton & Wroxham
Hythe
Iford
Ingatestone
Ipswich
Kelvedon
Kennett
Kirby Cross
Lakenheath
Lingwood
London Fields
Lowestoft
Manea
Manningtree
Manor Park
March
Marks Tey
Maryland
Melton
Mistley
Needham Market
Newmarket
Newport (Essex)
North Fambridge
North Walsham
Northumberland Park
Norwich
Oulton Broad North
Oulton Broad South
Ponders End
Prittlewell
Rayleigh
Rectory Road
Reedham (Norfolk)
Rochford
Romford
Roughton Road
Roydon
Rye House
Salhouse
Sawbridgeworth
Saxmundham
Seven Kings
Seven Sisters
Shefford
Shenfield
Sheringham
Shippea Hill
Silver Street
Somerleyton
South Woodham Ferrers
Southbury
Southend Victoria
Southminster
Spooner Row
St James Street
St Margarets (Herts)
Stamford Hill
Stansted Airport
Stansted Mountfitchet
Stoke Newington
Stowmarket
Stratford (London)
Sudbury
Theobalds Grove
Thetford
Thorpe-Le-Soken
Thurston
Tottenham Hale
Trimley
Turkey Street
Waltham Cross
Walthamstow Central
Walton on the Naze
Ware
Weeley
West Runton
Westerfield
White Hart Lane
White Notley
Whittlesea
Whittlesford Parkway
Wickford
Wickham Market
Witham
Wivenhoe
Wood Street
Woodbridge
Worstead
Wrabness
Wymondham

Stations where Greater Anglia Franchisee will not be Station Franchise Operator:

Downham Market
King’s Lynn
Littleport
London Liverpool Street (Major Station managed by Network Rail)
Peterborough
Upminster
Waterbeach
Watlington.
APPENDIX 1B: MAP OF GREATER ANGLIA FRANCHISE AREA
APPENDIX 1C:  LIST OF ROLLING STOCK

3 class 86 locomotives
15 class 90 locomotives
5 class 153 DMU (inter urban DMU)
18 class 156 DMU (Commuter DMU)
24 class 170 DMU (inter urban DMU)
8 class 170 DMU (inter urban DMU)
244 class 315 EMU-O (EMU 25KV 20m)
20 class 322 EMU-O (EMU 25KV 20m)
84 class 360 EMU-O (EMU 25KV 20m)
60 class 317/5 EMU-O (EMU 25KV 20m)
48 class 317/8 EMU-O (EMU 25KV 20m)
96 class 317/6 EMU-O (EMU 25KV 20m)
36 class 317/7 EMU-O (EMU 25KV 20m)
204 class 321/3 EMU-O (EMU 25KV 20m)
60 class 321/3 EMU-O (EMU 25KV 20m)
44 class 321/4 EMU-O (EMU 25KV 20m)
15 class MK3 DVT coaching stock
1 class MK3 DVT coaching stock
28 class MK3 FO coaching stock
9 class MK3 RFM coaching stock
82 class MK3 TSO coaching stock
24 class 321 EMU-O (EMU 25KV 20m)
32 class 321 EMU-O (EMU 25KV 20m)
12 class 321 EMU-O (EMU 25KV 20m)
120 class 379 EMU-O (EMU 25KV 20m)
ATTACHMENTS

A Greater Anglia Franchise Service Level Commitment 1
B Greater Anglia Franchise Specific Agreement
C National Rail Franchise Terms
D Conditions Precedent Agreement
E Funding Agreement
F Service Quality Standards
G SQMS Reporting Template
H Greater Anglia Financial Templates
I Declaration of Conformity and Transparency Condition Statement